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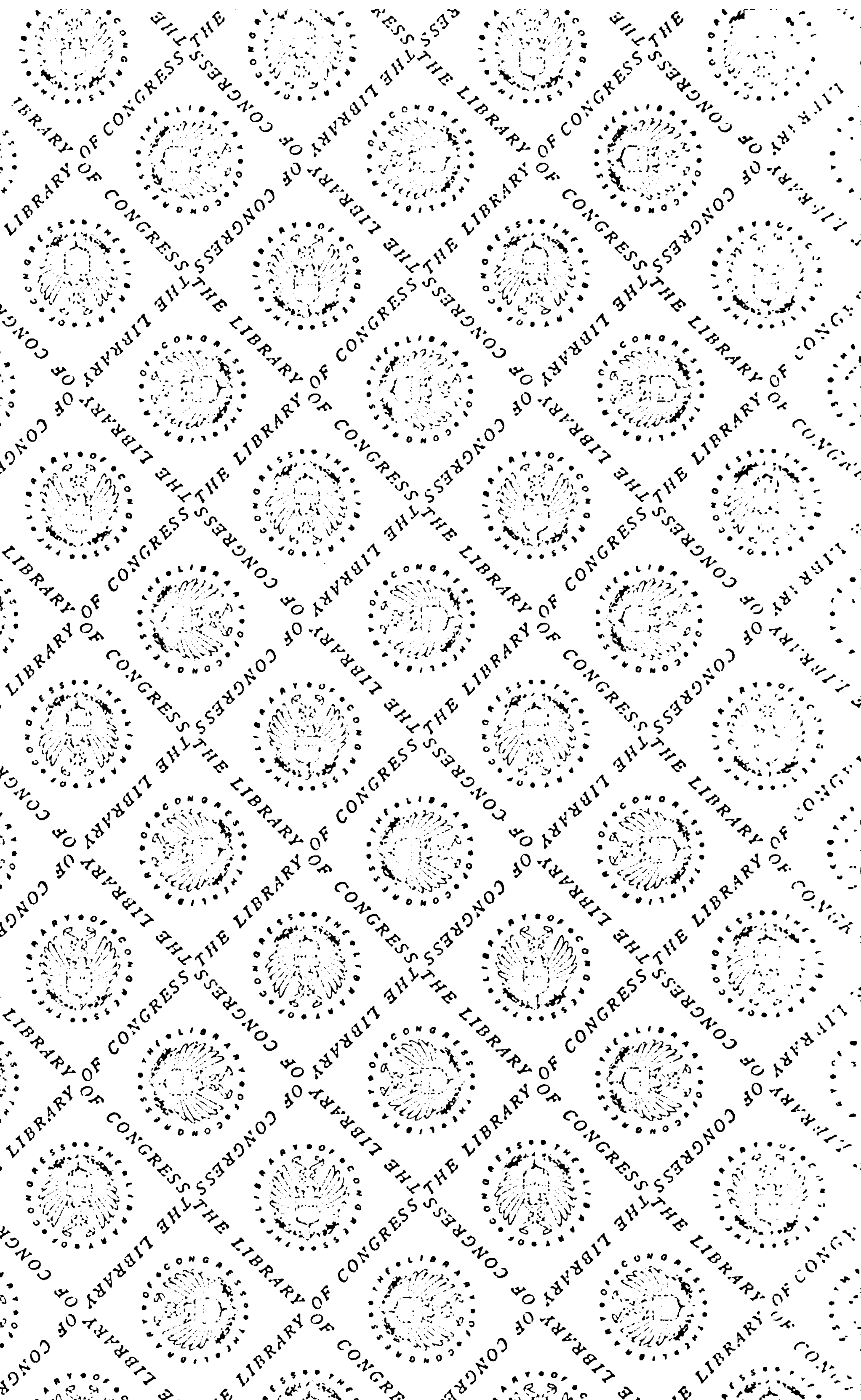
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SHORTAGE OF SUGAR

HEARINGS

BEFORE THE

SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

PURSUANT TO

S. RES. 163

A RESOLUTION DIRECTING THE COMMITTEE ON MANUFACTURES TO INVESTIGATE THE CAUSES OF THE SHORTAGE OF COAL AND SUGAR

SUGAR

Printed for the use of the Committee on Manufactures

WASHINGTON
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1918

COMMITTEE ON MANUFACTURES.

JAMES A. REED, Missouri, *Chairman.*

ELLISON D. SMITH, South Carolina.
ATLEE POMERENE, Ohio.
JAMES K. VARDAMAN, Mississippi.
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HENRY CABOT LODGE, Massachusetts.
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SUBCOMMITTEE ON S. RES. 163.

JAMES A. REED, *Chairman.*

JAMES K. VARDAMAN.
HENRY CABOT LODGE.
ANDRIEUS A. JONES.
WILLIAM S. KENYON.

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FEB 13 1918

SHORTAGE OF SUGAR.

WEDNESDAY, DECEMBER 12, 1917.

UNITED STATES SENATE,
COMMITTEE ON MANUFACTURES,
Washington, D. C.

The committee was called to order at 10 o'clock a. m., Senator James A. Reed presiding.

Present: Senators Reed (chairman), Smith of South Carolina, Vardaman, Jones of New Mexico, La Follette, Gallinger, Lodge, and Kenyon.

The CHAIRMAN. This meeting of the committee was called pursuant to the following resolution of the Senate:

Resolved, That the Committee on Manufactures be directed to inquire into the causes of the shortage of sugar and coal and report to the Senate thereon, together with their recommendation of any steps which they may deem it necessary to take with a view to remedying the conditions and, if possible, preventing their recurrence.

What is the pleasure of the committee?

Senator GALLINGER. I will make the motion, if it is agreeable, that a subcommittee of five be appointed by the chairman of this committee to conduct the investigation, the chairman to be chairman of the subcommittee.

The question was taken and the motion was unanimously agreed to.

The CHAIRMAN. I should like to take a little time to consult with the members of the committee and ascertain who can give the time necessary for this work, and I will announce the committee later in the day. While we are here as a whole, I will say that I am going to ask that subcommittee to be prepared to meet to-morrow morning.

Senator LA FOLLETTE. I suppose the committee is already authorized to issue subpœnas for the appearance of witnesses and the production of books and papers, but it does not seem to be included under this resolution.

(Informal discussion followed.)

Senator LA FOLLETTE. I move that the chairman be authorized to issue subpœnas for the appearance of witnesses and the production of books and papers, and that he issue subpœnas for the earliest time at which, in his judgment, the committee can begin the hearings. If that is to-morrow, let it be to-morrow.

(The question was taken and the motion was unanimously agreed to. After informal discussion by the members of the committee as to the manner of procedure, at 11.30 o'clock a. m. the committee adjourned.)

SHORTAGE OF SUGAR.

FRIDAY, DECEMBER 14, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Capitol, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, and Kenyon.

The CHAIRMAN. In order that the record may show what has transpired, and for the information of the committee, I put in the record a copy of the letter which under the direction of the committee I sent to Mr. Hoover on yesterday. This letter will be marked "Exhibit No. 1."

(The letter referred to is here printed in full, as follows:)

EXHIBIT No. 1.

DECEMBER 13, 1917.

HON. HERBERT C. HOOVER,
Food Administrator, Washington, D. C.

DEAR SIR: I have the honor to inform you that on December 11, 1917, the Senate of the United States passed the following resolution:

"*Resolved*, That the Committee on Manufactures be directed to inquire into the causes of the shortage of sugar and coal and report to the Senate thereon, together with their recommendation of any steps which they may deem it necessary to take with a view to remedying the conditions and, if possible, preventing their recurrence."

Pursuant to the direction and authority of that resolution, the Committee on Manufactures appointed a subcommittee to conduct the investigations ordered.

As chairman of the subcommittee and on its behalf I respectfully invite you to furnish the committee with the names of such persons either connected with or outside of your organization as can best give the committee information touching the causes of "the shortage" of either sugar or coal.

The committee will thank you if you will also place it in possession of any information which may throw light on the question under investigation.

May I not ask you to kindly favor the committee with an early response.

Very respectfully,

JAS. A. REED.

About an hour after sending that letter I received from Judge Lindley, the chief counsel of the Food Administration, this letter, which will be marked "Exhibit No. 2." This letter reads as follows [reading]:

EXHIBIT No. 2.

UNITED STATES FOOD ADMINISTRATION,
WASHINGTON, D. C., *December 13, 1917.*

HON. JAMES REED,
Chairman Senate Committee on Manufactures, United States Senate.

MY DEAR SIR: I am advised that the subcommittee of the Committee on Manufactures will commence to-morrow morning the investigation of the sugar

and coal situation. As we would like to aid in the development of the facts, I would ask the privilege of Mr. Hoover and myself being present, with permission to cross-examine the witnesses which may be produced in connection with the inquiry.

You will understand that our object is solely to aid the committee in the development of the truth. I would thank you for a reply by the bearer.

Yours, very truly,

CURTIS H. LINDLEY,
Chief Counsel United States Food Administration.

To that letter I sent the following reply, which will be marked "Exhibit No. 3." I will read this for the information of the committee. This was addressed to Judge Lindley [reading]:

EXHIBIT No. 3.

December 13, 1917.

Hon. CURTIS H. LINDLEY,
Chief Counsel United States Food Administration, Washington, D. C.

DEAR SIR: I am this moment in receipt of your note asking permission for Mr. Hoover and yourself to be present at the investigation of the sugar and coal situation to be begun to-morrow morning, and further asking permission to cross-examine the witnesses which may be produced in connection with the inquiry.

In reply permit me to say that something like an hour prior to the receipt of your note I sent a letter by messenger to Mr. Hoover, and copy of that letter is attached.

You will see that the subcommittee, of which I have the honor to be chairman, had already invited Mr. Hoover to furnish the names of persons who could throw light upon the problems under investigation, and also invited Mr. Hoover to place the committee in possession of any information which would throw light on said questions. This is as far as the subcommittee has authorized me to act. I have not the slightest doubt, however, that the committee will be very glad to have Mr. Hoover and yourself, as his counsel, present if you so desire. Indeed, the hearings before the committee will, as I understand, be entirely public. If Mr. Hoover and yourself attend I assure you you will receive every courtesy.

I can not, however, answer with reference to your inquiry touching the privilege of cross-examination. That is a question I would feel obliged to submit to the subcommittee. Investigations of this character are ordinarily not conducted as are trials in court; nevertheless, I feel sure the subcommittee will be willing to make some arrangement which will permit the full elucidation of all the facts.

If you favor us with your presence to-morrow I am sure the subcommittee will be glad to hear any suggestions you have to make.

Very respectfully,

JAS. A. REED.

The following letter was marked "Exhibit No. 4" and is printed in full, as follows:

EXHIBIT No. 4.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., December 13, 1917.

Hon. JAMES A. REED,
Chairman Committee on Manufactures,
Washington, D. C.

DEAR SIR: I have the honor to acknowledge your letter of December 13. Both myself and my staff will be glad to afford the committee any assistance in our power in elucidating the question of the causes of shortage in sugar. I am asking Mr. George Rolph, who has had charge of our sugar division, and Judge Curtis H. Lindley, who has acted as counsel in the various sugar negotiations, to attend at the committee meetings and place themselves at the disposal of the committee.

I would suggest, with reference to your inquiry as to who could assist the committee, that no doubt the names of various manufacturers and dealers

in sugar in the country will occur to you, and may I suggest that Messrs. Willett and Gray, who have for years been the standard statisticians in sugar matters, might be of assistance.

I myself will be glad to attend at any time that the committee should wish. You will, of course, understand that the overwhelming detail of my present position renders it important that I should attend in such manner as to absorb the minimum of my time; but I will arrange to be available at any time upon telephone notice.

Yours, faithfully,

HERBERT HOOVER.

The CHAIRMAN. That concludes the correspondence in regard to that matter. Mr. Spreckels, will you be sworn?

TESTIMONY OF MR. CLAUS A. SPRECKELS, PRESIDENT OF THE FEDERAL SUGAR REFINING CO., NEW YORK CITY.

(The witness was sworn by the chairman.)

The CHAIRMAN. Please state your name, place of residence, and business.

Mr. SPRECKELS. Claus A. Spreckels. Residence, New York. President of the Federal Sugar Refining Co.

The CHAIRMAN. How long have you been in the sugar business?

Mr. SPRECKELS. Over 40 years.

The CHAIRMAN. How many sugar refineries are there in the United States?

Mr. SPRECKELS. Twenty-one, I think.

The CHAIRMAN. You will please name them?

Mr. SPRECKELS. The Boston Sugar Refining Co., which I think is called the Standard, one.

The American Sugar Refinery Co., of Boston, one.

The Revere Sugar Refining Co., of Boston, one.

The American Sugar Refining Co., commonly called the Havemyer & Elder Refinery, in Brooklyn, two.

The American Sugar Refining Co., Jersey City, one.

The Warner Sugar Refining Co., one in New York Harbor.

Perhaps I had better take the New York Harbor refineries first. You do not care where they are located?

The CHAIRMAN. No.

Mr. SPRECKELS. The American Sugar Refining Co., New York Harbor, two.

The National Sugar Refining Co., New York Harbor, two.

The Warner Sugar Refining Co., one in New York Harbor.

Arbuckle Bros., one.

The Federal Sugar Refining Co., one.

In Philadelphia there are the Pennsylvania Sugar Refining Co., the McCahan Sugar Refining Co., the Spreckels Sugar Refining Co., belonging to the American Sugar Refining Co. The American Sugar Refining Co. have two in Philadelphia.

The Savannah Sugar Refining Co., in Savannah, one.

The American Sugar Refining Co., in New Orleans.

The Colonial Sugar Refining Co., at Gramercy, La.

The Henderson Refinery, in New Orleans. There is one just about to start there by Godchaux.

The CHAIRMAN. At New Orleans?

Mr. SPRECKELS. New Orleans, or near New Orleans.
At Sugarland, Tex., one.
In San Francisco, the Western Sugar Refining Co. of California.
The California & Hawaiian Sugar Refining Co., at Crockett, Cal.
I think I have got them all.

The CHAIRMAN. Without waiting to check over the names to see if you have them all or not, you will have the right, when you read your testimony, if there are any corrections or additions, to make them.

I will ask you now if there is in this country, among these refiners, what is commonly—perhaps vulgarly—known as the Sugar Trust?

Mr. SPRECKELS. There is.

The CHAIRMAN. By what name is that known?

Mr. SPRECKELS. The American Sugar Refining Co.

The CHAIRMAN. How many of these different refineries that you have named are either owned by, or under the control, through stock or otherwise, of that company?

Mr. SPRECKELS. Five are directly owned. They have stock interests in other companies.

Senator KENYON. What per cent, would be better, of the total.

Mr. SPRECKELS. Of the total, about 40 per cent.

The CHAIRMAN. About 40 per cent of the total sugar business of the country is done——

Mr. SPRECKELS. By the so-called Sugar Trust.

The CHAIRMAN. What per cent is done by the Federal Co., of which you are the president?

Mr. SPRECKELS. Ten per cent of the whole; possibly a little in excess of that.

The CHAIRMAN. For the sake of the record, I wish you would state, if you can, those companies which in your judgment are completely outside of the trust or trust control or operations. Can you do that?

Mr. SPRECKELS. I would not want to guarantee any of them excepting my own.

Senator KENYON. Do you think all the rest are controlled in a way by the trust?

Mr. SPRECKELS. I think a great many of them are more or less affiliated with them in one way or the other.

Senator VARDAMAN. There is an understanding between them?

Mr. SPRECKELS. I think so.

The CHAIRMAN. You say that the output of your refinery is about one-tenth of the total. What is the daily capacity of your refinery, if it is running steadily, in barrels, if you can state it that way?

Mr. SPRECKELS. In barrels, 10,000 barrels a day.

The CHAIRMAN. And if that is 10 per cent, then the capacity of the refineries of the country is approximately 100,000 barrels a day?

Mr. SPRECKLES. The refining; yes.

The CHAIRMAN. The refining.

Mr. SPRECKELS. That is exclusive of the beet refineries.

The CHAIRMAN. That is exclusive of the beet refineries?

Mr. SPRECKELS. Yes; that is of the cane refineries.

The CHAIRMAN. Now, so that I may get it right, your company—the Federal Co.—represents one-tenth of the sugar refining in the United States—I mean, one-tenth of the total sugar or one-tenth of the cane sugars?

Mr. SPRECKELS. One-tenth of the total.
The CHAIRMAN. Of the total?
Mr. SPRECKELS. Of the total.
The CHAIRMAN. So that if your capacity is 10 per cent of the total and your capacity is 10,000 barrels a day, the total, which would include all the cane sugar, would be about 100,000 barrels a day, which does not include any of the beet sugar?
Mr. SPRECKELS. About 100,000 barrels a day, beet included.
Senator VARDAMAN. What does a barrel of sugar weigh?
Mr. SPRECKELS. About 350 pounds.
The CHAIRMAN. Now, can you state in tons—and let us come to the question of tons and, if we can, stick to tons in our figures—about what is the total consumption of sugar in the United States in normal times? If you have any figures which you want to refer to, you can do so.
Mr. SPRECKELS. In normal times it is close onto 3,000,000 tons—to be exact, about 3,815,000 tons.
Senator KENYON. Do you base that on any particular year?
Mr. SPRECKELS. No; I am basing that on some records I have here. The statistics are gotten up by Messrs. Willett and Gray.
Senator KENYON. These are before-the-war figures.
Mr. SPRECKELS. Yes; they are both.
The CHAIRMAN. Well, if you can give us these figures from any tables that you can state are recognized in the trade as reliable, do so.
Mr. SPRECKELS. These are figures that are accepted by the trade.
Senator KENYON. Willett and Gray are the statisticians referred to by Mr. Hoover in his letter to Senator Reed, are they not?
Mr. SPRECKELS. Yes, Willett and Gray; they are the same.
The consumption of the United States, including all sugar, foreign and domestic, during the year 1916, was 3,658,000 tons.
For the year 1915 it was 3,801,000 tons. It was more in 1915 than it was in 1916.
Senator KENYON. It is more this year than last year, is it not?
Mr. SPRECKELS. No, it is about the same.
Senator KENYON. Has there not been more hoarding of sugar this year?
Mr. SPRECKELS. The statistics have not yet been made up. They are made up at the end of the year, and they have not come in to us, but I should say they are approximately the same.
The CHAIRMAN. What is the production of sugar within the United States? First, are there two kinds of sugar produced in the United States, cane and beet?
Mr. SPRECKELS. Cane and beet sugar.
The CHAIRMAN. Can you state what has been the production in normal times, going back some two or three or four years, of sugar within the United States?
Mr. SPRECKELS. Yes. Shall I give it to you by years?
The CHAIRMAN. Yes; give it to us by years.
Mr. SPRECKELS. Do you mean in the United States proper? Do you include the Phlippines, Hawaii, and Porto Rico?
The CHAIRMAN. Can you separate it, or are the figures together? Did you not, at my request, go through these figures and make up a table?

Mr. SPRECKELS. I made up a table, but I did not segregate it in exactly the way you are asking the question.

The CHAIRMAN. How have you it in that table?

Mr. SPRECKELS. I have taken the world's crop. You asked me for information as to the world's crop this year and last year and the coming year, 1916–17.

The CHAIRMAN. You have not that for America?

Mr. SPRECKELS. No; but I can give it to you in just a minute.

The CHAIRMAN. Very well; give us the matter of our domestic production in whatever form it is most convenient there in the publication which you have.

Mr. SPRECKELS. I have got the totals.

The CHAIRMAN. For the world?

Mr. SPRECKELS. No; for the United States, including Hawaii and Porto Rico——

The CHAIRMAN. Just give us that.

Mr. SPRECKELS. Including Louisiana and the beet.

The CHAIRMAN. Just give us that.

Mr. SPRECKELS. In 1916 it was 2,114,000 tons. In 1917 it was 2,109,000 tons.

Senator KENYON. Up to the 1st of December, 1917?

Mr. SPRECKELS. I meant to say in 1917–18, 2,109,000 tons. We call it the 1917–18 crop. The estimated production is 2,109,000 tons.

The production of 1916–17—that is, the total to the beginning of 1917—is 2,114,000 tons. Approximately, all told, it is 2,100,000 tons. For 1915 it was 2,056,000 tons. So the average would be 2,100,000 tons.

The CHAIRMAN. That includes continental United States and Porto Rico and what else?

Mr. SPRECKELS. And also Hawaii and the Philippines, and St. Croix.

The CHAIRMAN. Senator Vardaman has asked that those figures be separated so as to distinguish the amount raised in the United States, proper, in continental United States, from the amounts raised outside, and I think you might put that into the record later.

Mr. SPRECKELS. May I put that in later?

The CHAIRMAN. Yes; that will be all right. Now, what has been the world's supply of sugar?

Mr. SPRECKELS. Of the crop of 1916–17, the world's crop was 16,584,096; that is, including continental Europe.

The CHAIRMAN. Have you the figures prepared, going back some three or four years, of the world's crop, exclusive of Austria and Germany?

Mr. SPRECKELS. I haven't it now, but I can make up those figures and put them in later; but I have the two years.

The CHAIRMAN. What two years?

Mr. SPRECKELS. This last year and the estimate for the following year; that is, the 1917–18 crop.

The CHAIRMAN. Now, will you state them again, beginning at the earlier year and running down?

Mr. SPRECKELS. The 1916–17 crop, the world's crop, was 16,584,000 tons. Continental Europe, 4,566,000 tons. That leaves, outside of Europe, a production of 12,117,000 tons.

For the 1917–18 crop, the one that we are going into now—Cuba, for example, is now milling its cane, and Louisiana, and the beet crop—the estimated crop is 17,190,000 tons, and continental Europe has produced 3,849,000 tons, leaving 13,341,000 tons for 1917–18. That shows an excess crop for 1917–18, the one we are now going into. There will be 1,323,000 tons of sugar more available than there was last year.

Senator KENYON. That includes Java?

Mr. SPRECKELS. Yes.

Senator KENYON. How much is their crop; do you know?

Mr. SPRECKELS. About 1,500,000.

The CHAIRMAN. You have subtracted from the figures that you have been giving the continental Europe crop. Why do you do that? Explain that.

Mr. SPRECKELS. Because before the war England drew its supply mainly from Austria and from Germany, and some from Russia. Now that is no longer available.

The CHAIRMAN. So our allies must be taken out of the crop of sugar from other sources?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Our allies' supplies?

Mr. SPRECKELS. Our allies' supplies.

Senator KENYON. Is the sugar from Java available now?

Mr. SPRECKELS. They have a stock of 900,000 tons available of the old crop. Next May they start in with a new crop again. If all the sugar were available we would have more than a sufficiency. In other words, if the war should terminate to-morrow we would get a lot of those Java sugars, and it is a question of tonnage.

The CHAIRMAN. If I understand you correctly, then, excluding from the figures the loss of the world's supply incident to Austria and Germany and their allies being cut off from the rest of Europe, making allowance for that, there is a world's excess this year over last year of how much?

Mr. SPRECKELS. One million three hundred and twenty-three thousand tons.

Senator KENYON. You include Java in that?

Mr. SPRECKELS. Yes; but I am including the new crop. There is in Java 900,000 tons which should be added to it because that sugar exists now.

Senator KENYON. It is not available?

Mr. SPRECKELS. It is not available.

The CHAIRMAN. That is, it is not easily available.

Mr. SPRECKELS. That is it. There are approximately a million and a half tons estimated production of Java, but they have all the old crop which they have not been able to move—900,000 tons—in addition to that, so if we excluded the Java crop entirely, if we added the 900,000 tons to this that would be 2,200,000, and excluding the 1,500,000 tons there would still be an excess of 700,000 tons.

The CHAIRMAN. Where has this increase now in the world's supply of sugar principally taken place?

Mr. SPRECKELS. In Cuba.

The CHAIRMAN. Has there been any increase in the beet sugar production of this country?

Mr. SPRECKELS. There has been quite an increase in the last few years, but there is no special prospect of further increase.

The CHAIRMAN. Deducting from this excess which you say exists for this year in the world's supply all of the sugars of Java that you say are not accessible now by reason of the lack of tonnage, what results do we have then? Do we have more sugar than last year or less?

Mr. SPRECKELS. More.

The CHAIRMAN. How much more?

Mr. SPRECKELS. Do you mean available for this country? Is that what you mean?

The CHAIRMAN. I mean that is available if they take out Java.

Mr. SPRECKELS. Allowing the consumption to be the same——

The CHAIRMAN. You do not get the question. How much more sugar is there available for the world than there was last year? It is understood that in all these figures you are omitting now Germany and her allies?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. And also the Russian crop?

Mr. SPRECKELS. I do not think there will be any excess, then, if you eliminate Java.

The CHAIRMAN. Would there be a deficiency?

Mr. SPRECKELS. Possibly 180,000 tons.

The CHAIRMAN. If you eliminate Java altogether?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Now, as a matter of fact, is Java eliminated from the world's crop as far as the world's supply is concerned? Are there no countries that can reach Java and that do reach Java?

Mr. SPRECKELS. Yes; it could be reached if the tonnage were available. It is totally a question of tonnage.

The CHAIRMAN. How about the supply for America? Has the American supply been increased or decreased?

Mr. SPRECKELS. We have always drawn our supplies from Porto Rico, the Philippines, and from Cuba, and from our domestic production. Cuba, being our principal source of supply, has a crop of 600,000 tons more than they had last year. There will be 600,000 tons more available.

The CHAIRMAN. In what we call our supply?

Mr. SPRECKELS. In what we call our supply.

The CHAIRMAN. Than there was last year?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Was last year up to the ordinary years that had preceded it?

Mr. SPRECKELS. It was the largest crop in the history of Cuba.

The CHAIRMAN. So that you can say that the American supply for this year, if I understand you, is about 600,000 tons larger than it ever was in our history?

Mr. SPRECKELS. Yes.

Senator KENYON. Let me get that. Do you mean that the actual sugar, including that in the United States and that imported——

Mr. SPRECKELS. Imported from Cuba.

Senator KENYON. Is that much larger than it has ever been before?

Mr. SPRECKELS. Yes.

Senator KENYON. Have not the importations fallen off in October and November?

Mr. SPRECKELS. I am speaking of the 1918 crop. If I understand you correctly, you want to know what is available for 1918?

The CHAIRMAN. Yes.

Mr. SPRECKELS. We are now going into the crop of 1918.

Senator KENYON. I thought we were going into what we have.

Mr. SPRECKELS. We have that on hand, being produced now, and the estimated crop of Cuba is 600,000 tons greater than it was last year.

Senator KENYON. What do you mean by last year?

Mr. SPRECKELS. 1917—this year.

Senator KENYON. So that what you are giving us now is the estimated crop of next year as against the actual crop of this year?

Mr. SPRECKELS. Yes.

Senator KENYON. I want to know about the actual crop of this year.

The CHAIRMAN. I think we are getting somewhat involved.

Mr. SPRECKELS. I will give you the figures of 1917. It amounted to 3,019,000 tons. They have commenced grinding in Cuba, and it is estimated that they will make just 600,001 tons more than they did last year.

The CHAIRMAN. When you say they have commenced grinding, you mean that that crop is now available for the American market?

Mr. SPRECKELS. It is being harvested now.

Senator KENYON. But is not available as yet?

Mr. SPRECKELS. Part of it. They are producing their sugars now; they are producing every day.

The CHAIRMAN. In order to clear this matter up, we will talk of this sugar that is now being harvested as this year's crop, because it is being harvested as this year's crop, because it is being harvested in this year.

Mr. SPRECKELS. Yes.

The CHAIRMAN. What about the crop of last year? How did that compare with the crop of the preceding years? I refer to the Cuban crop.

Mr. SPRECKELS. The crop of 1916, the preceding crop, was 3,007,000 tons, or 16,000 tons less than the crop of this year.

The CHAIRMAN. What was the crop of the year before?

Mr. SPRECKELS. 2,600,000 tons.

The CHAIRMAN. That would be 1915?

Mr. SPRECKELS. 1915. 1914 was 2,597,000 tons, and 1913, 2,428,000 tons. So that there has been a gradual increase.

The CHAIRMAN. Do your figures go back of 1914?

Mr. SPRECKELS. In 1913 it was 2,428,000 tons; in 1914, 2,597,000 tons; in 1915, 2,600,000 tons; in 1916, 3,007,000 tons; in 1917, 3,023,000 tons; and in 1918, the present crop, 3,620,000 tons. In other words, this coming crop is 20 per cent greater than the one just past.

The CHAIRMAN. What about the decrease, if any, in the sugar consumption since the European war began?

Mr. SPRECKELS. They have decreased the consumption in Europe about 50 per cent.

The CHAIRMAN. I am asking you always to exclude Germany and her allies.

Mr. SPRECKELS. We have no statistics, as far as Germany is concerned.

The CHAIRMAN. Germany and her allies.

Mr. SPRECKELS. Yes. They produce their own sugars. They do not export any sugar.

The CHAIRMAN. There has been a decrease since the war began?

Mr. SPRECKELS. I am speaking of England and France.

The CHAIRMAN. And the decrease in England and France has been how much, do you say?

Mr. SPRECKELS. It has been 50 per cent. They consume 50 per cent less sugar.

The CHAIRMAN. And that has been true substantially ever since the European war began?

Mr. SPRECKELS. It has been a gradual reduction.

The CHAIRMAN. Has there been any increase in the consumption in neutral countries of Europe to offset this decrease in consumption in England and France?

Mr. SPRECKELS. There has been no increase in any country. They have all decreased.

The CHAIRMAN. As a general proposition, then, what do you say about the present world supply during the last 12 months as compared with previous years of our history? Has it been as great or smaller?

Mr. SPRECKELS. Approximately the same.

The CHAIRMAN. Approximately the same. Perhaps, my question is misleading. You say there has been a falling off in the consumption, and my question, I believe, went to the supply. Taking into consideration the falling off in consumption, and the production, as you have given it to us, and omitting from your answer the central powers, what do you say as to the shortage of sugar, the actual shortage of sugar existing, over ordinary times?

Mr. SPRECKELS. You mean as far as the United States is concerned?

The CHAIRMAN. Yes; or the world.

Mr. SPRECKELS. There is no shortage of sugar. The shortage exists in spots. For example, the United States to-day has an ample supply of sugar, but we haven't it in the east Atlantic States. There is where our shortage is. It is localized; but, as a whole, there is plenty of sugar.

Senator KENYON. I wish you would answer the chairman's question. The sugar supply of the world is not lessened?

Mr. SPRECKELS. No.

Senator KENYON. Is the available supply of the United States any less?

Mr. SPRECKELS. No.

Senator KENYON. By reason of lack of importations?

Mr. SPRECKELS. No.

Senator KENYON. Did not the importations go down in October and November in the United States as compared with previous years?

Mr. SPRECKELS. They have gone down in the last few months; yes.

The CHAIRMAN. I want now to ask one further preliminary question which I should have asked long ago. What are the principal

world-supply points of sugar—the principal countries from which sugar comes?

Mr. SPRECKELS. Cuba is the largest producing country. We draw mainly from there; but Europe also draws from Cuba. Then there is Peru. Perhaps I had better read them off.

The CHAIRMAN. Very well. I want to get it into the record.

Mr. SPRECKELS. Shall I read right from this statistical report of Willett and Gray?

The CHAIRMAN. Yes; you may read it.

Mr. SPRECKELS. These are the same statisticians to whom Mr. Hoover referred. We will take, first, the United States proper in cane-sugar production. Louisiana, 280,000 tons; Texas, 2,000 tons; Porto Rico, 450,000 tons; Hawaiian Islands, 575,000 tons; Cuba, 3,400,000 tons. That was the last crop, the crop of 1916, and they failed in that crop on account of the insurrection there last year. Then we have the British West Indies: Trinidad, 65,000 tons; Barbados, 65,000 tons; Jamaica, 15,000 tons; and other minor British West India islands, 30,000 tons. The French West Indies: Martinique, 40,000 tons; Guadaloupe, 40,000 tons. Danish West Indies, now belonging to us: St. Croix, 12,000 tons; San Domingo, 150,000 tons. Mexico, 50,000 tons; Central America, 25,000 tons. We now come to South America: Demerara, 120,000 tons; Surinam, 15,000 tons; Venezuela, 15,000 tons; Peru, 2,000 tons; Argentina, 175,000 tons; Brazil, 225,000 tons. That makes a total for America of 5,919,000 tons. That takes in North, South, and Central America and the West Indies. Then we have British India, 2,400,000 tons; but that is *all* consumed locally; they do not export any sugars. Java, 1,595,000 tons; Formosa, in Japan, 430,000 tons; the Philippine Islands, 220,000 tons. That makes a total for Asia of 4,645,000 tons. Australia, 200,000 tons; Fiji Islands, 110,000 tons. That makes a total for Australia and Polynesia of 310,000 tons. Then we take, next, Egypt. This crop is also somewhat local, and amounts to 100,000 tons. Mauritius, 220,000 tons; Reunion, 45,000 tons; Natal, 125,000 tons; Mozambique, 40,000 tons. Next. we have Europe. Spain, 6,000 tons. They produce very little cane sugar in Spain; mostly beet. That is the total cane crop, amounting in all to 11,410,000 tons. The beet crop of Europe amounts to 5,275,000 tons and in the United States to 846,000 tons. In Canada the beet crop is 14,000 tons. That makes a grand total of cane and beet sugar of 17,575,000 tons. That was their estimate last year. You wanted the source of supply.

The CHAIRMAN. I simply want the source of supply, and that will give us an idea of the amount coming from these places. You spoke of a number of places that consumed all of their own sugar.

Mr. SPRECKELS. Yes.

The CHAIRMAN. There were a number of other places like Mexico, with small production. Is it true that those countries that produce a small amount of sugar consume it all themselves?

Mr. SPRECKELS. Generally speaking, yes, as a rule. They have very small parcels for export.

The CHAIRMAN. The large source of sugar supply, then, speaking broadly, as I understand it, is Cuba?

Mr. SPRECKELS. Cuba.

The CHAIRMAN. The Sandwich Islands; Hawaii?

Mr. SPRECKELS. Of course, that is only available for this country—Hawaii and Porto Rico.

The CHAIRMAN. And Java is another great source of supply?

Mr. SPRECKELS. Another great source of supply.

The CHAIRMAN. Australia produces a considerable amount?

Mr. SPRECKELS. They have sufficient in Java in the shape of old crop to supply England.

Senator KENYON. For how long?

Mr. SPRECKELS. One year; and then they are producing another crop. If the tonnage were available, England could get its entire supply there now. It is available at the present time.

The CHAIRMAN. For the sake of clearing the matter up in my own mind, and perhaps in the mind of the committee, when cane sugar is produced on a plantation, to what extent is it refined or reduced to sugar? In what form is it when it is sent to the refinery?

Mr. SPRECKELS. In the form of what they call raw sugar, containing 96 per cent of sugar.

The CHAIRMAN. Is that what we ordinarily call brown sugar?

Mr. SPRECKELS. No; you call that raw sugar as distinguished from brown sugar—brown crystallized sugar. What you call brown sugar is refined sugar, as distinguished from the raw material.

The CHAIRMAN. So that it is reduced to a raw sugar at the plantation, and then when it goes to the refinery—some one of these refineries you have named—it is turned into the white sugar of commerce?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And also into brown sugar, some of it?

Mr. SPRECKELS. Yes; and sirups.

The CHAIRMAN. Have you samples of those sugars with you?

Mr. SPRECKELS. No; they have not yet arrived.

The CHAIRMAN. You have sent for some, you told me?

Mr. SPRECKELS. I have sent for them.

The CHAIRMAN. I pass from that now and take up beet sugar, when that is marketed. How is that done, in a broad way? Is the beet reduced to sugar by the farmer, or is it hauled to the factory in the way of beets?

Mr. SPRECKELS. It is hauled to the factory in the form of beets, and then the factories, which they call beet-sugar factories, convert the juice of the beets into sugar.

The CHAIRMAN. Is that ready for the market at once?

Mr. SPRECKELS. That is ready for the market at once. They do not produce what we call a raw sugar, but they produce a refined sugar. That does not come exactly in the same class as the cane sugar. It is not quite up to the standard.

The CHAIRMAN. These beet-sugar factories that you speak of you do not include among your refineries?

Mr. SPRECKELS. No; we do not call those refineries.

The CHAIRMAN. They exist in a number of places in the United States, do they not?

Mr. SPRECKELS. They do. We call them beet-sugar factories.

The CHAIRMAN. Senator Vardaman suggests that I ask the difference between the beet sugar that comes from the beet-sugar factories and the refined sugars that come from the refineries.

Mr. SPRECKELS. The difference between the beet sugar and the cane sugar is very slight. Cane sugars, speaking of the refined sugars, are pure sugar. They have been refined to an absolutely finished product. In other words, they are 99.9 per cent pure, while the beets probably do not run quite so high; but the beet sugar contains, technically speaking, what we call cane sugar. They may have 99 per cent of cane sugar. We do not call beet sugar cane sugar. The beet contains cane sugar, technically speaking.

The CHAIRMAN. If I understand you right and I am going to ask this leading question, because I have got it from some other investigations, the way the beet-sugar crop is handled, the farmer hauls his beets to the factory and they are shoveled out of his wagon in the form of beets, and they go through that factory, and come out at the other end white sugar.

Mr. SPRECKELS. Yes.

The CHAIRMAN. Granulated sugar, or, it may be, what we call lump sugar, made in any form. That is about the size of it?

Mr. SPRECKELS. Yes. They buy their beets from the farmer.

The CHAIRMAN. Whereas the planter, raising cane sugar, gets his cane, and reduces it to a juice—extracts the juice?

Mr. SPRECKELS. That goes to the factory just the same. He hauls that also to the factory, the same as the farmer hauls his beets. Instead of hauling beets, he hauls his cane.

The CHAIRMAN. To the factory?

Mr. SPRECKELS. Yes.

The CHAIRMAN. When that factory gets through with it, it is just a raw sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And then it is sent to the refineries, and they transform it into the pure white sugar that we use, and some of it into brown sugar?

Mr. SPRECKELS. Quite right.

The CHAIRMAN. I think that is all of the preliminary situation that I wanted to ask about. I am going to ask, I think, at this point a question that Senator Kenyon asked a while ago. You stated that there is an actual surplus of sugar for United States supply that is available, that there has been no shortage in the matter of sugar that was available for the United States, and yet we are confronted today with sugar difficulties. You also said there had been a falling off in sugar importations from Cuba to the United States. In a word, what is the cause of it? Just explain it.

Mr. SPRECKELS. I suppose you know that we entered into a voluntary agreement with the Food Administration by which they would import for all the refineries their sugars; they would arrange for all the importations, so that put us out of business so that we could no longer import our sugars excepting through the Food Administration; but they would not pay the price for the raw material, with the result that our factories had to be closed, and subsequently and during that period sugars that might have come here to this country went abroad, went elsewhere—the raw material. Eventually, when we did get some sugar we paid the price, just the same. In fact, I offered to pay more if I would be permitted to do so, to get through this stringency.

The CHAIRMAN. Let me get that in another way, so that I am sure that I understand it. In ordinary years, and ever since the war began and until the present year, have you had any difficulty in your refineries, or have the other refineries had any difficulty, in securing an abundance of raw sugar to refine and supply the market of the United States?

Mr. SPRECKELS. No.

The CHAIRMAN. Has there been anything to interfere with your ability this present year to get those raw sugars that you say exist in as great quantities as they ever did before, and somewhat larger, for the American market, except arrangements and orders and agreements with the Federal Food Administration, to which you have just referred?

Mr. SPRECKELS. That is the only reason.

The CHAIRMAN. Is your refinery running now?

Mr. SPRECKELS. No; it is closed.

The CHAIRMAN. Why is it closed?

Mr. SPRECKELS. We have not the raw material.

The CHAIRMAN. If you were permitted, and had no contracts, agreements, or arrangements with the Federal Food Administration, could you get raw sugars to-day, open your factory, and supply it?

Mr. SPRECKELS. Perhaps not just at the present moment. We could not get a sufficient quantity to run to capacity, because those sugars have been diverted to other countries; but those sugars might have come to this country in October and November and we could have had a chance to contract for them, but they were diverted and they went elsewhere.

The CHAIRMAN. Did you have an opportunity to get any of those sugars? Did you have any of them tendered to you or offered to you?

Mr. SPRECKELS. We had, but we were not permitted to buy, and the Food Administration international committee would not buy, and they have gone to Canada, which paid a higher price than we were allowed to pay.

The CHAIRMAN. How did they reach Canada?

Mr. SPRECKELS. From New York by rail.

The CHAIRMAN. Do I understand you to say that you were, by reason of these arrangements with the Food Administration, prohibited from buying sugars, and that Canada or Canadian merchants bought them, and they were shipped right through New York and through the United States to Canada?

Mr. SPRECKELS. That is true.

The CHAIRMAN. And they paid more than you were permitted to pay?

Mr. SPRECKELS. Paid more than we were permitted to pay. We were anxious to pay the price, but we were not permitted to.

Senator JONES. Are the other refineries running at this time, or are they also closed?

Mr. SPRECKELS. Some have been running right through, those who have been receiving their sugar from Hawaii. They have been running right along. Others have closed and are in the same position that we are in.

The CHAIRMAN. With the permission of the committee I will state that I have spent some time trying to get this matter in some sort of

shape. I am not objecting to questions, but I may say now by way of explanation for myself that I desire to start back a little bit and trace this matter through, to determine whether the opinion of the witness is correct.

Senator KENYON. Has the price of sugar increased?

Mr. SPRECKELS. From when?

Senator KENYON. Is it higher now than it was a year ago?

Mr. SPRECKELS. Yes. It is 1 cent a pound higher now than last year at this time.

Senator VARDAMAN. Is that the price in America?

Mr. SPRECKELS. I am speaking of the price in America. The price in this country is a trifle over a cent a pound more.

Senator KENYON. Is that beet or cane sugar? Is beet sugar as high now as it was a year ago?

Mr. SPRECKELS. It is higher.

Senator KENYON. And cane sugar is a little higher also?

Mr. SPRECKELS. Yes.

Senator KENYON. A cent a pound?

Mr. SPRECKELS. There is not quite that difference between beet and cane. The price of beet is now $7.35, and last year it was $7.20. The price of cane is $8.35, as against $7.20.

The CHAIRMAN. I desire to lay the foundation and throw some light on some correspondence I have seen. I think it may go into the record that Mr. Hoover arrived in this country about May 4, and then on May 7 he was before the Committee on Agriculture of the Senate. At page 381 of Part IV of those hearings the following statement occurs which, together with another statement by Mr. Hoover, I desire to read by way of preface to some correspondence which I desire to introduce. Mr. Hoover said [reading]:

> Sugar is a question of extreme anxiety, because the world has an under-supply of sugar and we are an importer. Here is a place where we get in the same boat with the allies; that they are very short of sugar, their people are consuming under three-quarters of an ounce of sugar a day, and I presume we are consuming the better part of 6 or 7 ounces. But next year they are taking measures to secure as large a part of the sugar production as they can in their own interests, and if we do not look out and take measures we are going to be forced to reduce our consumption. So that we should have a great deal of cooperation both ways. The sugar production, of course, is demoralized by the cutting off of all the central European sugar production, exports, and so on.

At page 413, continuing in the same examination, Mr. Hoover further says [reading]:

> Yes; and I am raising this point to show how a different situation arises with different commodities. They require different treatments altogether; in fact, each required international treatment at the first step.
>
> I might mention next sugar as showing another complication of this problem. From the information I have it seems to me probable that by the middle of October this country will have exhausted its sugar supply, and its arrivals are not large before the end of December. The outlook for sugar is very poor. The Cuban crop may be down a million and a quarter tons below the 4,000,000 normal, and generally there is a scarcity of sugar in the world, owing to the decrease in beet production all over Europe, and the greater demand and greater pull by the allies on such sugar as is available, and they have an equal pull on the Cuban market and other markets with ourselves.
>
> Now, we have to get into relation with the allies as to a fair condition of the market, cease that competition for that sugar as far as we can, and make some arrangements, for instance, for the sailing ship haulage of Java sugar to this country, so as to release Cuban sugar to Europe. In any event we must take

a grip on the stocks of sugar at a very early moment so as to spread the whole of the sugar we have got over a number of months and prevent a serious shortage in the future.

Now, not for the purpose of contradicting Mr. Hoover, but merely to elucidate the matter, Mr. Hoover's statement there, that the Cuban crop may be down a million and a quarter tons below the 4,000,000 normal, turned out to be an error, did it not?

Mr. SPRECKELS. Did he say a million and a quarter below the normal?

The CHAIRMAN. Yes; down a million and a quarter tons below the normal. You say there is an increase over the normal?

Mr. SPRECKELS. Yes.

Senator VARDAMAN. What excess?

Mr. SPRECKELS. Sixteen thousand tons; but he is speaking there of the crop of 1917, the crops they were then harvesting. When was the crop of 1917, the crop they were then harvesting. When was

The CHAIRMAN. In May.

Mr. SPRECKELS. They were then in the midst of this crop. Instead of being a million and a quarter short, they had 3,023,000 tons as against 3,007,000 tons, or 16,000 tons more.

The CHAIRMAN. And the crop for this year, coming in in December, is 600,000 tons greater?

Mr. SPRECKELS. Yes; greater than the last crop.

Senator VARDAMAN. Mr. Hoover, then, was not speaking of the crop this year?

Mr. SPRECKELS. No; in May he was speaking of the crop then being harvested.

The CHAIRMAN. But he was in error?

Mr. SPRECKELS. Oh, yes.

The CHAIRMAN. This testimony was given, as I understand it, on May 7, and I will ask you if you read in the newspapers or saw in the newspapers the statement setting forth in respect to Mr. Hoover's testimony, or at least purporting to do so?

Mr. SPRECKELS. I did.

The CHAIRMAN. Did you have any communication then with Mr. Hoover?

Mr. SPRECKELS. I did.

The CHAIRMAN. I will say that this is preliminary, merely leading up to the agreements which were afterwards made.

Mr. SPRECKELS. Under date of May 10 I wrote him a letter.

The CHAIRMAN. Immediately following the giving of this testimony?

Mr. SPRECKELS. Yes.

The CHAIRMAN. There had been editorial and newspaper comment or talk about a Federal food administration going to be created, and Mr. Hoover going to be the food regulator?

Mr. SPRECKELS. Yes; I understood he was to take charge of that.

The CHAIRMAN. A lot of suggestions had been made; and is what I show you now your letter which you wrote to him in line with these other things?

Mr. SPRECKELS. Yes; because I was leaving. I sent this letter to Mr. Hoover, to be delivered to him in person at the time.

The CHAIRMAN. I shall read this letter. It is as follows [reading]:

EXHIBIT No. 5.

MAY 10, 1917.

HERBERT C. HOOVER,
Chairman of the Food Committee
of the Council of National Defense.

DEAR SIR: Understanding that the Government is considering the advisability of controlling sugar, we would state that we think the best plan would be for the Government to deliver the raw sugars to the different refiners and arrange with them to refine same on a fair toll basis. If given prompt notice, we can fill our present contracts and be ready about June 15th to July 15th to work on such a basis.

In case you are prepared to take this subject up, as well as the question of arranging how to secure raw sugars on the most favorable terms, the bearer of this letter, Mr. Frank C. Lowry, will be pleased to give you any information on the subject you may desire.

We remain, yours, very truly,

FEDERAL SUGAR REFINING CO.

The CHAIRMAN. Did you send that with Mr. Lowry?

Mr. SPRECKELS. I sent that with him.

The CHAIRMAN. What is Mr. Lowry's connection with your company, with the sugar business?

Mr. SPRECKELS. He is the sales manager.

The CHAIRMAN. For the Federal Sugar Refining Co.?

Mr. SPRECKELS. Yes.

The CHAIRMAN. For the sake of dates, I want to simply put in the fact that on May 19 the President's letter was printed asking Mr. Hoover to undertake the task of food administrator. The letter of the President is as follows [reading]:

EXHIBIT No. 6.

MY DEAR MR. HOOVER. It seems to me that the inauguration of that portion of the plan for food administration which contemplates a national mobilization of the great voluntary forces of the country which are ready to work toward saving food and eliminating waste admits of no further delay.

The approaching harvesting, the immediate necessity for wise use and saving, not only in food but in all other expenditures, the many undirected and overlapping efforts being made toward this end, all press for national direction and inspiration. While it would in many ways be desirable to wait complete legislation establishing the food administration, it appears to me that so far as voluntary effort can be assembled, we should not wait any longer, and therefore I would be very glad if you would proceed in those directions at once.

The women of the Nation are already earnestly seeking to do their part in this our greatest struggle for the maintenance of our national ideals, and in no direction can they so greatly assist as by enlisting in the service of the Food Administration and cheerfully accepting its direction and advice. By so doing, they will increase the surplus of food available for our own Army and for the export to the allies. To provide adequate supplies for the coming year is of absolutely vital importance to the conduct of the war, and without a very conscientious elimination of waste and very strict economy in our food consumption, we can not hope to fulfill this primary duty.

I trust, therefore, that the women of the country will not only respond to your appeal and accept the pledge to the Food Administration which you are proposing, but that all men also who are engaged in the personal distribution of foods will cooperate with the same earnestness and in the same spirit. I give you full authority to undertake any steps necessary for the proper organization and stimulation of their efforts.

Cordially and sincerely, yours,

WOODROW WILSON.

Mr. HERBERT C. HOOVER,
Washington, D. C.

JUNE 12 1917.

The CHAIRMAN. Did you get any reply from Mr. Hoover to this letter which you wrote to him?

Mr. SPRECKELS. No; there was no reply. It was delivered to him.

The CHAIRMAN. When, if at any time, were you called to Washington to consult about the sugar situation?

Mr. SPRECKELS. I was invited to Washington, it must have been, I think, in August, but I did not attend, for I was out in California at the time.

The CHAIRMAN. Was that after Mr. Hoover's formal appointment as food administrator?

Mr. SPRECKELS. Yes; after his formal appointment. Mr. Lowry did attend that meeting. Mr. Hoover invited all of the sugar refiners of the country to attend a meeting at Washington.

The CHAIRMAN. I think, in order to get the dates in, I shall simply state that the food-administration act was passed August 10, and Mr. Hoover was appointed upon the same day or the next day. Have you any memoranda here showing when you were invited to come to Washington for this conference?

Mr. SPRECKELS. I have not. I was not in New York at the time. I did not attend that conference, but Mr. Lowry did attend it.

The CHAIRMAN. Can you state, from your knowledge gained in your business, who was called here to this conference.

Mr. SPRECKELS. There were representatives of all of the various refineries.

The CHAIRMAN. They were called to Washington to confer with Mr. Hoover?

Mr. SPRECKELS. To confer with Mr. Hoover. I think they were apprised they might enter into a voluntary agreement. They were going to get an agreement up which they would enter into.

The CHAIRMAN. Who was going to get up this agreement?

Mr. SPRECKELS. The Food Administration, with the refiners. They were going to ask them to enter into a voluntary agreement by which the prices and differentials in sugar would be fixed.

The CHAIRMAN. That suggestion came from the Food Administrator?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And the sugar refiners were there, but you were not there personally?

Mr. SPRECKELS. And to ask the cooperation of the refiners, and to ask them to place themselves to cooperate as far as possible with them.

The CHAIRMAN. You were not present at that meeting, but Mr. Lowry was there representing you?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Can you state from what you learned in the course of your business what was finally done at that meeting? Was there anything done?

Mr. SPRECKELS. There was nothing done. The next step, I was invited to a meeting by Mr. Babst, the president of the American Sugar Refining Co.

The CHAIRMAN. Where was that meeting to be held?

Mr. SPRECKELS. At 117 Wall Street, in the office of the American Sugar Refining Co.

The CHAIRMAN. Whom else was invited to be there?

Mr. SPRECKELS. All of the refiners.

The CHAIRMAN. Was there anybody there representing the Food Administration, or was that a meeting merely of refiners?

Mr. SPRECKELS. Not in the beginning; no, sir. Mr. Babst presented to us a tentative agreement which they had gotten up which we might enter into.

The CHAIRMAN. Who had gotten it up?

Mr. SPRECKELS. I do not know whether Mr. Babst got it up or Mr. Rolph.

The CHAIRMAN. Who is Mr. Rolph?

Mr. SPRECKELS. He is in charge of the sugar division.

The CHAIRMAN. Who is Mr. Rolph; what was his business?

Mr. SPRECKELS. He is the general manager of the California & Hawaiian Sugar Refining Co.

The CHAIRMAN. Where is that located?

Mr. SPRECKELS. At Crockett, Cal.

The CHAIRMAN. Do you know whether Mr. Rolph or Mr. Babst at this time—at the time of this meeting in New York—were connected in any way with the Food Administration?

Mr. SPRECKELS. Not at that time. Mr. Rolph was; yes.

The CHAIRMAN. Was Mr. Rolph present at this meeting in New York?

Mr. SPRECKELS. I think he was present at one or two of the meetings. They had a dozen meetings; I could not tell you how many.

The CHAIRMAN. What I am trying to get at is when this paper or agreement which you were asked there to go over with the other sugar refiners was presented. Did you understand it had been prepared by Mr. Babst on behalf of the refiners, or that it was a paper that had been prepared in connection with the Food Administration? Which way was it understood?

Mr. SPRECKELS. It was understood that he was acting for the Food Administration as an accommodation to Mr. Rolph.

The CHAIRMAN. Was that paper at that time accepted or signed by the refiners?

Mr. SPRECKELS. It was not. They had, I should say, 10, or perhaps 15, meetings, until they finally got it satisfactory to the refiners and the Food Administration. I say the refiners. All excepting myself.

The CHAIRMAN. There appears here in the weekly statistical Sugar Trade Journal, on August 27, what purports to be a voluntary agreement with the Food Administrator and the beet-sugar people. I would like to put it in, because it comes chronologically, and I shall put it in as it is contained in this paper, and if there is any question about its accuracy it can be afterwards raised.

(The agreement referred to is here printed in full, as follows:)

The beet-sugar producers of the country have patriotically agreed with the Food Administration to limit the price of their sugar to a basis which should result in a reduction of about 1½ cents a pound from the present price, effecting a saving of $30,000,000 to the consuming public between now and the first of next year.

Owing to the holders of the remainder of the Cuban crop asking exorbitant prices for their sugar, the price has advanced during the last few weeks by over 1½ cents per pound. The new Cuban crop will not be available until the latter

part of December, and if the high price is to continue until that time the American public will have paid about $30,000,000 more for their sugar than would otherwise have been the case. The beet-sugar production of about 800,000 tons begins to come into the market during the month of September, and should furnish the bulk of supplies between then and the first of next year, when the Cuban crop will be available.

In response to a request from the Food Administration, representatives of 80 per cent of the domestic beet-sugar industry of the United States have been in conference with the Food Administration in Washington during the past week. As a result of this conference these beet-sugar producers reached the agreement to limit their price to a basis that will make possible the $30,000,000 saving to the public.

The representatives of the beet-sugar producers who were in Washington during the past week have pledged theselves to secure the active cooperation of the other 20 per cent of the beet industry and have every reason to believe that the action of the industry will be unanimous.

This patriotic action of the domestic beet-sugar industry in acting as a control over the price demanded for imported sugar will not only make the saving mentioned above between now and the end of the year, but will contribute largely to establish a lower price for imported sugar throughout next year.

In order that sugar may reach the dealer without intermediate speculative profits between the producer and the retailer, the wholesale grocers of America have voluntarily agreed with the Food Administration to limit distribution charges in such a manner as to eliminate the possibility of speculative or exorbitant profits, and the Food Administration will be able at a later date to announce the price at which wholesale sugar should be delivered to the large consuming centers of the country. It will then be for the consumers themselves to see that they receive just treatment from the retail dealer.

It will be of interest to the trade to know that the price agreed upon means $7.25 cane-sugar basis, f. o. b. seaport refining points, such as New York, Philadelphia, New Orleans, Boston, and San Francisco.

It is the intention of the Food Administration to adopt certain measures which will effectually assure that this price shall not be exceeded during the coming year even upon imported sugar, and it is hoped that as soon as the Cuban crop is available the price will be less than $7.25.

It is desirable for the public to bear in mind, the Food Administration points out, that in order for the allies to be supplied with sugar from the West Indies, in place of their usual source of supply, which is now cut off, the public must reduce its consumption of sugar by every means possible. That there is room for reduction in consumption without hardship must be evident when we consider that the average American consumption is about 85 pounds per person per annum, whereas the new sugar regulations in England limit the consumption to 21 pounds per person per annum.

This year the beet-sugar crop will not be moving freely in the country before the 1st of October, and therefore there will be a few weeks' delay before the reduced price becomes effective. This affords an opportunity for distributors and retailers to dispose of sugar purchased by them at a higher cost level.

In order to get the chronology correct, I want to put in at this time a circular sent out by the United States Food Administration law department, license division, which does not bear a date, but which is marked "Received September 19, 1917."

(The circular referred to is here printed in full, as follows:)

EXHIBIT No. 7.

Form No. 138.

GENTLEMEN: We inclose herewith a copy of the President's proclamation of September 7, 1917, relating to licensing of persons engaged in importing, manufacturing, or refining sugar, sugar sirups, or molasses. From this proclamation you can ascertain whether or not you are subject to license.

We also inclose FORM OF APPLICATION FOR LICENSE to carry on business as required by the President's proclamation of September 7, 1917, to be filled out by you in the event that you are subject to license.

Application for license should be forwarded immediately to the United States Food Administration, law department, license division, Washington,

D. C., to whom all communications relating to licenses, future change of address, etc., should be addressed.

If your formal application has been made and you have not received your license before the date set for such requirement, October 1, 1917, you may operate, unless you are advised to the contrary, on the assumption that your license application has been approved and that license is in process of issuing.

Separate applications must be filed and separate license obtained if you do business under more than one name or style, or through subsidiary companies bearing different names, or through agents operating under their own names.

The following instructions regarding the filling out of license application should be observed:

INSTRUCTIONS FOR FILLING OUT APPLICATIONS FOR SUGAR LICENSE.

(*a*) Please use typewriter, if possible, except for signature.

(*b*) Postage is required on the envelope in which the application is returned.

(*c*) On line 1 state the name of the individual, firm, or corporation in whose name the business is conducted.

(*d*) On line 2 state whether applicant is a partnership or corporation, if either, and if a corporation, state under what laws it was organized.

(*e*) On line 3 state fully the address to which the license and other communications should be mailed.

(*f*) In the section following line 4 indicate, by means of an X placed before the proper line or lines, the nature of the business for which you seek a license. Leave blank the space or spaces that do not apply to your business.

(*g*) On line 5 state in pounds your average annual sales of sugar and state in gallons or tons your average annual sales of sirups and molasses.

(*h*) On line 6 state the number of plants that you operate in manufacturing or refining sugar.

(*i*) On line 7 state the total capacity of all the plants.

(*j*) On line 8 state the total pounds of sugar produced at all plants (*a*) in 1915, (*b*) in 1916, (*c*) in 1917, to the date of this application, or as near to that date as possible.

(*k*) On line 9 state the amount of sirups and molasses produced at all plants (*a*) in 1915, (*b*) in 1916, (*c*) in 1917, to the date of this application, or as near to that date as possible.

(*l*) On line 10 state (in bags) the total warehouse capacity at all plants.

(*m*) On line 11 state the name of the individual, firm, or corporation who owns the business. This may or may not be the same as the name (on line 1) of the individual, firm, or corporation in whose name the business is conducted. Fill in both line 1 and line 11 whether or not the same name appears on both lines.

(*n*) On line 12 state the mail address of the individual, firm, or corporation whose name appears on line 11.

(*o*) In the spaces under line 13 state (*a*) in the case of a corporation, the names and addresses of the managing agents or principal officers, such as president, vice president, secretary, and treasurer; and (*b*) in the case of a partnership, the names and addresses of the members of the partnership.

(*p*) On line 14 should appear the signature of the individual, firm, or corporation whose name appears on line 1. If a firm or corporation, the firm or corporate name should appear on line 14.

(*q*) If a firm or corporate name appears on line 14, the signature of the individual officer or agent signing should appear on line 15, together with an indication of his office.

(*r*) On the back of the application please list and describe separately each plant operated in manufacturing or refining sugar. If the numbered headings (No. 1, No. 2, No. 3) are not sufficient for the separate listing of your plants, give required information as to additional plants on plain white paper and paste that paper to the application.

(*s*) On line 16 state the location of the first plant that you intend to describe.

(*t*) On line 17 state whether at this plant you refine or manufacture sugar, sirups, and molasses, and whether from sugar cane or beets.

(*u*) On line 18 state the total capacity of the plant.

(*v*) On line 19 state the pounds of sugar produced at the plant (*a*) in 1915, (*b*) in 1916, (*c*) in 1917, to the date of this application, or as near to that date as possible.

(*w*) On line 20 state the amount of sirups and molasses produced at the plant (*a*) in 1915, (*b*) in 1916, (*c*) in 1917, to the date of this application, or as near to that date as possible.

(*x*) On line 21 state (in bags) the warehouse storage capacity of the plant.

(*y*) Under headings No. 2 and No. 3 give similar information as to other plants. (See instruction (*r*).)

Yours, very truly,

UNITED STATES FOOD ADMINISTRATION,
Law Department—License Division.

The CHAIRMAN. You received that, did you?

Mr. SPRECKELS. I did.

The CHAIRMAN. About September 19?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. You spoke about an agreement that had been talked over among the refiners and had been changed a large number of times, but that finally reached a completed form, and I will ask you if that paper which you have in this book is a copy of that agreement as finally agreed upon?

Mr. SPRECKELS. No; I do not think it is.

The CHAIRMAN. Have you a copy of the final agreement?

Mr. SPRECKELS. Yes; but I have not it with me now.

The CHAIRMAN. Here is what purports to be a copy of this agreement, printed in the weekly statistical Sugar Trade Journal, and I will ask you to look at that and see if that is the agreement that finally was presented to the sugar refiners and signed by them.

Mr. SPRECKELS. Yes; I think that is a correct copy.

The CHAIRMAN. We will put it in subject to correction, if there is any question about it. This is dated October 25, 1917. Did you have any conference with Mr. Hoover before this paper was finally signed?

Mr. SPRECKELS. I had a conference with him under the agreement as it was drawn up prior to this, in which they named three committees instead of two.

The CHAIRMAN. So that we may get that clear, Mr. Hoover had called a meeting in Washington and your representative went there?

Mr. SPRECKELS. Yes.

The CHAIRMAN. After that the refiners had a number of meetings in which they went over various forms of contracts that were being submitted, these contracts having for general purpose the regulation of the method of carrying on business?

Mr. SPRECKELS. Yes.

The CHAIRMAN. The final draft of the contract appears to have been signed October 1, 1917. Were there any further conferences with Mr. Hoover which resulted in the formation of any kind of committees before this contract was signed or the appointment of any kind of committees?

Mr. SPRECKELS. There were.

The CHAIRMAN. What were the committees that Mr. Hoover proposed?

Mr. SPRECKELS. They had three committees. They had the international committee, the national committee, and the refiners' committee.

The CHAIRMAN. Who named these committees, Mr. Hoover or you or the refiners?

Mr. SPRECKELS. Mr. Hoover.

The CHAIRMAN. Who composed the international committee?
Mr. SPRECKELS. Mr. Rolph was the chairman of the international committee. There were five upon it, I think.
The CHAIRMAN. And with what company is he connected?
Mr. SPRECKELS. The California & Hawaiian Sugar Refining Co.
The CHAIRMAN. Who were the others?
Mr. SPRECKELS. I will first give you the American. Mr. Earl D. Babst.
The CHAIRMAN. And what is his connection?
Mr. SPRECKELS. He is the president of the American Sugar Refining Co.
The CHAIRMAN. That is what we commonly refer to as the trust?
Mr. SPRECKELS. Yes; and Mr. Jamison, of Arbuckle Bros.
The CHAIRMAN. Those three constitute the American members?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Who were the English members?
Mr. SPRECKELS. Mr. Joseph White Todd and Mr. John R. Drake.
The CHAIRMAN. Was either of the English members in the sugar-refining business or the sugar business?
Mr. SPRECKELS. No. Mr. Drake is a sugar merchant in London.
The CHAIRMAN. But not a sugar refiner?
Mr. SPRECKELS. No.
The CHAIRMAN. What was the jurisdiction of this international committee to be—what was it to do?
Mr. SPRECKELS. They were to arrange between them as to what proportion of the sugars of the world's production should go to this country and what should go to the allies.
The CHAIRMAN. As to that part which went to the allies, did the American members of the commission have any jurisdiction over it as to prices or methods of distribution on the other side?
Mr. SPRECKELS. Not as to distribution; but they would naturally have to agree as to prices. I am not certain as to that. They were to divide the world's cake.
The CHAIRMAN. Were the English members of this commission to have anything to do with the fixing of American distribution?
Mr. SPRECKELS. Nothing.
The CHAIRMAN. Do you understand whether the English members were to have anything to do with the price the Americans were to pay for raw sugar which they purchased?
Mr. SPRECKELS. I could not say as to that.
Senator VARDAMAN. Did he not say a moment ago that they were to fix the price and divide the cake?
Mr. SPRECKELS. As to the quantity.
The CHAIRMAN. But not prices?
Mr. SPRECKELS. I do not know as to prices; I could not say as to that.
The CHAIRMAN. Who composed the national committee?
Mr. SPRECKELS. The three gentlemen I have just named—Mr. Babst, Mr. Jamison, and Mr. Rolph.
The CHAIRMAN. What was the jurisdiction of the national committee to be? What were they to do?
Mr. SPRECKELS. They were to arrange for the purchase of the sugars for the various refineries, in addition to which they were to

allocate whatever they purchased to the refineries as they saw fit to do, and that is what I objected to with Mr. Hoover at the time.

The CHAIRMAN. Stating that in different language to be sure that I understand you, do you mean to say now that the matter of securing the sugar which was to be refined by all of the American refineries was to be turned over to these three gentlemen?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And then, the business of buying it having been turned over to them, you say they were to allocate it to the different refineries? You mean to allot to each refinery the amount it was to have?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And you say you objected to that?

Mr. SPRECKELS. Yes; I objected to placing myself in the hands of the three refiners, as we were absolutely independent. I did not think I would get the amount that we were entitled to.

The CHAIRMAN. Was there any other committee named?

Mr. SPRECKELS. There was a refiners' committee.

The CHAIRMAN. Who composed that committee?

Mr. SPRECKELS. It was composed of Mr. Post——

The CHAIRMAN. Of what company?

Mr. SPRECKELS. The National Sugar Refining Co.

The CHAIRMAN. Is that Mr. Babst's company?

Mr. SPRECKELS. No; his organization has a large stock interest in the company.

The CHAIRMAN. Is Mr. Post connected with the American Sugar Refining Co.?

Mr. SPRECKELS. The American Sugar Refining Co. has a large interest in the National, although they call themselves independent.

The CHAIRMAN. Did you name Mr. Warner?

Mr. SPRECKELS. Mr. Warner?

The CHAIRMAN. What was his connection?

Mr. SPRECKELS. Nothing.

The CHAIRMAN. No, I mean what is his company?

Mr. SPRECKELS. The Warner Sugar Refining Co. I believe Mr. Warner is independent, so far as I know.

The CHAIRMAN. Who else is a member?

Mr. SPRECKELS. Mr. Parker. He is the vice-president of the American Sugar Refining Co.

The CHAIRMAN. Was there anybody else? I have a memorandum here——

Mr. SPRECKELS. If you have a memorandum, if you will, read it.

The CHAIRMAN. J. L. Goetzinger.

Mr. SPRECKELS. Yes; he is of the Arbuckles.

The CHAIRMAN. Do you know whether they have any connection with the American Sugar Refining Co.?

Mr. SPRECKELS. I do not.

The CHAIRMAN. Were you a former member of that committee?

Mr. SPRECKELS. I was.

The CHAIRMAN. What was the jurisdiction of that committee to be; what was it to do—that refiners' committee?

Mr. SPRECKELS. As near as I recall—I have not the agreement with me, as I did not know that I was coming up for examination. but

as near as I can recall—they were simply to see that the rules were obeyed under which we might work.

The CHAIRMAN. You say you objected to Mr. Hoover about giving the national committee, which was composed of Mr. Babst, Mr. Rolph, and Mr. Jamison, the jurisdiction they had. What did Hoover do about that?

Mr. SPRECKELS. He eliminated that at once.

The CHAIRMAN. Eliminated the committee or the feature?

Mr. SPRECKELS. The feature, and the committee.

The CHAIRMAN. And the committee?

Mr. SPRECKELS. And the committee; yes.

The CHAIRMAN. What became of the jurisdiction that was to be given to them?

Mr. SPRECKELS. That was given to the refiners' committee.

The CHAIRMAN. The one which you have just named?

Mr. SPRECKELS. The one of which Mr. Warner and I are members.

The CHAIRMAN. Prior to this time had there been sugar exchanges?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And what, if anything, has happened to those exchanges?

Mr. SPRECKELS. They were closed at the request of Mr. Hoover.

The CHAIRMAN. I have here a newspaper clipping bearing the date line of August 16, which I will put in the record for the sake of fixing the fact. I suppose we can take it as correct. It begins: "Sugar speculation stopped by Hoover." It reads as follows [reading]:

EXHIBIT No. 8.

SUGAR SPECULATION STOPPED BY HOOVER—COFFEE FUTURE TRADING ALSO STOPPED—OTHER DEALS LIMITED.

NEW YORK, *August 16, 1917.*

Speculation in sugar, which has been advancing in price for months, was banned on the New York Coffee and Sugar Exchange to-day at the instance of Herbert C. Hoover, food administrator. He requested the exchange to suspend all dealings in futures, based on his belief expressed in a letter that the normal function of such trading to stabilize prices is lost under present conditions and operated to inflate prices.

Conditions were such, he said, as to stimulate speculation.

He also asked the exchange to limit itself to cash transactions and to dealings solely between actual producers and buyers of sugar for their own requirements.

Sugar prices have been steadily ascending and within the last week have touched altitudes never before reached. A year before the war Cuban raws sold as low as 2 cents a pound, while last week they reached 6¾ cents. Granulated has advanced in the same period from 5 cents to 9.15 cents a pound.

The suspension of sugar trading "until further notice" came as a surprise to the members who had no idea such drastic action was contemplated. President Lawrence, of the exchange, stated that the committee appointed to confer with Mr. Hoover would assure him of cooperation by the exchange in any measure deemed necessary to stabilize prices during the war.

The CHAIRMAN. As the result of that, were the sugar exchanges closed?

Mr. SPRECKELS. They were closed.

The CHAIRMAN. This brings us up, then, as I understand, this committee having been formed as you say, to the time when the contract of October 1 was finally made?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. I would like now to read that contract for the committee, and for my own benefit also. It reads as follows [reading]:

EXHIBIT No. 9.

CANE REFINERS' AGREEMENT WITH UNITED STATES FOOD ADMINISTRATION.

This agreement, entered into the 1st day of October, 1917, between Herbert Hoover, as United States Food Administrator, acting in this behalf for the President of the United States, and (name of refiner) ——— hereinafter called the Refiner.

Witnesseth, that ———

Whereas, pursuant to an act of Congress entitled "An act to provide for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," approved August 10, 1917, and known as the food-control act, the President of the United States has duly appointed Herbert Hoover, food administrator; and

Whereas the said Food Administrator and the undersigned, pursuant to the objects and purposes of the said act, desire to secure an equitable distribution of sugar throughout the United States during the period of the war and to prevent unjust, unreasonable. unfair, and wasteful commissions, profits, and practices; and

Whereas, in order to carry out the purposes of the said act and the objects of this agreement, it is deemed advisable that the United States Food Administration, through its international sugar committee hereinafter named, should cooperate with the royal commission on the sugar supply in the purchase of the imported raw-sugar requirements of the United States of America and of the other nations at war with Germany, and in the sale of the United States refined sugar to such nations; and

Whereas the said Food Administrator to effect said cooperation with the said royal commission on the sugar supply has appointed George M. Rolph, of Washington, D. C.; Earl D. Babst, of New York City; William A. Jamison, of New York City; Sir Joseph White-Todd, of London, England; J. Ramsey Drake, of London, England, a committee of the United States Food Administration. to be called the international sugar committee, with headquarters located in New York City, to arrange, subject to his approval, for the purchase and shipment of sugar to the United States of America and the other nations at war with Germany and with the duties hereinafter described; and

Whereas the said Food Administrator has appointed Claus A. Spreckels. of New York City; James H. Post, of New York City; Charles M. Warner, of New York City; George H. Earle, jr., of Philadelphia, Pa.; Robert M. Parker, of New York, a committee of the United States Food Administration, to be called the American refiners' committee, to perform, subject to his approval, such duties as are hereinafter specified, and has appointed Dwight P. Thomas, Boston, Mass.; W .J. McCahan, jr., of Philadelphia, Pa.; Benjamin A. Oxnard, of Savannah, Ga.; M. E. Goetzinger, of New York City; John Farr, of New York City; William Henderson, of New Orleans, La.; W. T. Eldridge, of Sugarland, Tex., as alternates on said committee, who shall have the privilege of being present at all meetings and serving in the place of any absent member or filling any vacancies in said committee in the order named; and

Whereas the undersigned is a buyer of raw sugar and is desirous of aiding and promoting the efficient administration of said act and of securing the purposes to be accomplished thereby by voluntary agreement as authorized by section 2 of the aforesaid act of Congress:

Now, therefore, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree as follows:

1. The United States Food Administrator agrees that the said international sugar committee shall arrange for the purchase of raw sugar from the West Indies and such other import sources as are available for the purpose of supplying and apportioning the requirements of the United States and of the other nations at war with Germany.

2. That all questions of a purely domestic nature coming before the international sugar committee in the performance of the duties assigned to it by this contract shall be referred to the American members of said committee for action.

The CHAIRMAN. Now, this is what I want to call the attention of the committee to:

3. That after the date of this agreement the refiner will not import or purchase any such raw sugar as is described in paragraph one (1), except through the international sugar committee of the United States Food Administration, and will permit said committee to arrange, route, and distribute such purchases for refiner's account so far as possible according to refiner's convenience and requirements. Such purchases may be made either direct or through a broker if customary, or otherwise as said international sugar committee shall find expedient.

4. That the United States Food Administration will direct the said American refiners' committee to fix the basis of proportionate distribution of the sugar provided by the international sugar committee for the United States among the refiners who enter this or a similar agreement with him, and to arrange for the apportionment to each refiner of a fair proportion of such sugar. In case of disagreement between the refiner and the American refiners' committee or between the refiners' committee and the international sugar committee the matter shall be submitted to the United States Food Administrator and his decision shall be final.

5. That in apportioning said sugar to any refiner, as provided in paragraph 4, the American refiners' committee shall take into consideration any written contract now in effect made by the refiner for the purchase of foreign or domestic raw sugars for delivery after the date of this agreement, and also any contracts which refiner may hereafter make for domestic raw sugars which are not imported into the United States or any purchases of same.

6. On each purchase arranged for by the said international sugar committee and the American refiners' committee the buyer will pay to the said committees a sum for each ton that, calculated on the entire tonnage handled by the committees, will be sufficient to pay the actual expenses of the committees, this amount to be calculated at such intervals as the committees may determine.

7. The Food Administrator agrees that he will cause the international sugar committee to determine on each business day and to post in its office and to publish in certain daily newspapers and trade journals to be designated by the committee, basic prices for 96-degree centrifugal sugar delivered duty paid refining points.

8. The refiner agrees that it will sell all sugar refined by it at a price not more than 1.3 cents net per pound wholesale of refined sugar on the basis of fine granulated sugar in barrels or in 100-pound bags (when used as the standard basis) f. o. b. refinery, above the basic price for 96-degree centrifugal sugar as determined by the international sugar committee under paragraph 7 above and in force on the day when such sale of refined sugar is made with such differentials as are shown on its official price list. Said net margin shall include the fee paid to the committee and be exclusive of 2 per cent cash discount, payment 10 days to the trade. This margin is determined on a delivered duty-paid price of from 5¾ cents to 6 cents per pound, and in case the basic price provided in paragraph 7 goes below 5¾ cents per pound shall be decreased by the United States Food Administrator in such a manner as to return substantially the same profit to the refiner. In case the basic price goes above 6 cents per pound, said margin shall be increased by the United States Food Administrator to accomplish the same purpose.

9. It is mutually agreed that said margin is also subject to revision from time to time by reason of changes in cost of refining and of distribution or in the event of an excise or similar tax.

10. It is further understood that inasmuch as this agreement has been entered into at the urgent request of the food administrator for the purposes above recited, and notwithstanding the absence of any statutory power on the part of the Food Administrator to fix the price of raw or refined sugar, and in view of the limitation on the price to be secured by the refiner for its refined product therein agreed to, the said Food Administrator through the said international sugar committee and the American refiners' committee will cooperate with the refiner to prevent, so far as possible, any loss by the said refiner on any sugar purchased as herein provided.

11. The refiner agrees to conduct its cargo export business under the supervision of the United States Food Administrator, and in fixing the price to nations represented by the royal sugar commission on the sugar supply will add not more than the net refining margin for domestic business, with draw-

back allowance to the buyer of 1 cent per pound for granulated sugar when made from dutiable imported Cuban raw sugar, unless otherwise approved by the United States Food Administration, such drawback being based on present rate of duty upon Cuban sugars, and to be adjusted in the event of any change in the present rate of duty on Cuban sugar.

12. It is understood and agreed by the refiner that a violation of any of the terms of this agreement may result in and be cause for revocation of its license.

13. This agreement shall remain in full force and effect from October 1st, 1917, until the existing state of war between the United States and Germany shall have terminated, and the fact and date of such termination shall be ascertained and proclaimed by the President, and thereupon this agreement shall end.

In witness whereof the parties hereto have subscribed this agreement on the day and year first above written.

———— ————,
United States Food Administrator.

———— ————,
Refiner.

Witness:

———— ————.

Senator LODGE. Mr. Chairman, I was unfortunately and unavoidably detained and unable to get here until just now. I suppose this has been already stated, but has it appeared from that circular you have just been reading who constituted the international committee named?

The CHAIRMAN. Sir Joseph White-Todd, of London; J. Ramsay Drake, of London, England; and the three gentlemen already named—Mr. Rolph, Mr. Babst, and Mr. Jamison; and their connection has also been put in the record. Now, I call your attention to this. It reads that after the date of this agreement the refiner will not import or purchase any such raw sugar as described in paragraph 1 except through the international sugar committee—that is, any raw sugar from the West Indies—and other sources that are available of supply and apportioning to the requirements of the United States, etc., and during the war, since you have made that agreement, have you been importing any sugar?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Excepting those——

Mr. SPRECKELS. Excepting through the international committee.

The CHAIRMAN. Excepting through that committee? They did whatever importing there was?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Have you gone into the Cuban market to buy?

Mr. SPRECKELS. The international committee?

The CHAIRMAN. You?

Mr. SPRECKELS. No; we have gone into no market. We can only buy sugar through the international committee.

The CHAIRMAN. This contract bound you so that you could no longer go into the market to buy?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And all of the sugar refiners signed this?

Mr. SPRECKELS. Yes.

The CHAIRMAN. They are all bound under it now?

Mr. SPRECKELS. Yes; they are all acting under it.

The CHAIRMAN. This contract, in paragraph 7, also provides that "the Food Administrator agrees that he will cause the international sugar committee to determine on each business day, and to post in its office and to publish in certain daily newspapers and trade journals to be designated by the committee, basic prices for 96-degree

centrifugal sugar delivered, duty paid, refining points. From the day this contract was signed, who has fixed the prices which were to be paid for sugars, raw sugars; that is, that were to be used in the United States?

Mr. SPRECKELS. The international committee.

The CHAIRMAN. Have you or the refiners had anything to do with the fixing of those prices?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Excepting those refiners that might be on the committee and acting in that way?

Mr. SPRECKELS. Nothing whatsoever.

The CHAIRMAN. Did the international committee get together and fix prices?

Mr. SPRECKELS. They did.

The CHAIRMAN. Before I ask that question, did you make any objection at the time this contract was made as to the price being limited to any particular kinds of sugar?

Mr. SPRECKELS. No; I did not object to the contract. I objected later on to the price that the international committee was paying, and offered to pay. I made an objection to Mr. Hoover, requesting him to instruct the international committee to pay a higher price in order that our refineries might be running, as the sugars were offered at a higher price.

The CHAIRMAN. Coming to the high prices of sugar which they fixed, what prices did they fix?

Mr. SPRECKELS. Six dollars and ninety cents per hundred, cost and freight, for 96 per cent centrifugal sugars.

The CHAIRMAN. That is, it was $6.90 at the port where it was shipped from?

Mr. SPRECKELS. No; delivered.

The CHAIRMAN. Delivered in this country?

Mr. SPRECKELS. Including freight.

The CHAIRMAN. Did you have any communication with Mr. Hoover in regard to those prices?

Mr. SPRECKELS. I had.

The CHAIRMAN. In what form was it?

Mr. SPRECKELS. In the form of a telegram. I telegraphed him, under date of the 19th of October, as follows [reading]:

We have been obliged to close our refinery, and a thousand men will be out of employment unless we are permitted to supply ourselves with raw material. The International Sugar Committee, who, under the agreement entered into with you, are to purchase all raw material will not pay more than $6.90 per 100 pounds for raw sugar and are therefore unable to supply us. We would gladly pay more for our raw material and agree not to advance our price for refined sugar. We would, in fact, be willing to work without any profit or even at a loss rather than deprive those who are urgently in need of sugar. The people of the Eastern States are clamoring for sugar, and particularly the manufacturers, such as the condensed-milk concerns, whose product is needed for our Army and Navy. May we suggest that you instruct the international committee to endeavor to relieve the immediate critical situation by paying a little more and secure for us our raw material. This can hurt no one but the refiners. We are willing to forego any profit and continue to sell at your present price. An answer will be appreciated.

The CHAIRMAN. Did you send that telegram?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Did you get any answer to it?

Mr. SPRECKELS. No, sir; there was no answer. Yes; here is the answer, signed by Mr. Rolph, for the Food Administration. He was in charge of the sugar division.

The CHAIRMAN. By the way, you say Mr. Rolph was in charge of what?

Mr. SPRECKELS. He was in charge of the sugar division of the Food Administration.

The CHAIRMAN. So that Mr. Rolph was a member——

Mr. SPRECKELS. Of the Food Administration, and also of the international committee.

The CHAIRMAN. And also of the international committee; and was he a member of the other committee—the refiners' committee?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. He was a member of the Food Administration, located here in Washington?

Mr. SPRECKELS. Yes; and also in New York.

The CHAIRMAN. Was he one of your rivals in business?

Senator LODGE. Has he signed that agreement, are you certain?

Mr. SPRECKELS. I have not seen any agreement; but I presume they all signed.

Senator LODGE. Was he not one of those who signed the agreement you read?

Mr. SPRECKELS. I imagine all of them have signed it.

The CHAIRMAN. With the permission of the committee I will read this reply [reading]:

EXHIBIT No. 10.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., October 19, 1917.

Mr. C. A. SPRECKELS,
91 Wall Street, New York.

DEAR MR. SPRECKELS: We have for acknowledgment your telegram of the 19th instant, reading as follows:

"We have been obliged to close our refinery and a thousand men will be out of employment unless we are permitted to supply ourselves with raw material. The International Sugar Committee who under the agreement entered into with you are to purchase all raw material will not pay more than $6.90 per 100 pounds for raw sugar and are therefore unable to supply us. We would gladly pay more for our raw material and agree not to advance our price for refined sugar. We would in fact be willing to work without any profit or even at a loss rather than deprive those who are urgently in need of sugar. The people of the Eastern States are clamoring for sugar and particularly the manufacturers, such as the condensed-milk concerns, whose product is needed for our Army and Navy. May we suggest that you instruct the international committee to endeavor to relieve the immediate critical situation by paying a little more and secure for us our raw material. This can hurt no one but the refiner, as we are willing to forego any profit and continue to sell at your present price. An answer will be appreciated."

We fully realize that every refiner in the United States would be willing to pay more for the small amount of sugar held in speculative hands in Cuba than the maximum price fixed by the Food Administration. Other refiners have shut down rather than exceed the price fixed. It is our opinion that the best interests of the entire country will be conserved by adhering to the present policy. The price of 6.90 set by the administration is extremely high—in fact, unjust—and is regarded as a hold-up. If the holders of the small amount of sugar left in Cuba are willing at any time to sell their sugar before the last of our refineries close, the sugar will be bought by the international sugar committee and refined by the refineries then operating and distributed equitably.

The CHAIRMAN. I am going to pause there long enough to ask you if you know of any sugar supply in Cuba being held in speculative hands at that time?

Mr. SRECKELS. I did not know of any.

The CHAIRMAN. He says: "Other refiners have shut down rather than exceed the price fixed." Do you know of any other refiners shutting down rather than exceed the price fixed?

Mr. SPRECKELS. I do not know that any other refiner was willing to pay a greater price for raw material. Perhaps they wanted to work for the profit, while I was willing to work without a profit. Other refiners were in the same position in which we were, because they could not get their sugars.

The CHAIRMAN. At this time you had written him you thought you would have to close?

Mr. SPRECKELS. Yes.

The CHAIRMAN (continuing reading):

We have to-day ordered the Food Administration sugar distributing committee to start shipments of beet sugar to the north Atlantic seaboard States, and hope to relieve the situation shortly.

The CHAIRMAN. This is dated October 19. Has the situation been relieved up to this date?

Mr. SPRECKELS. It has not.

The CHAIRMAN. I continue reading this letter [reading]:

The Food Administration has been preaching the gospel of conservation of sugar for a long time, and while it is unfortunate that this shortage in sugar develops, it is hoped that the difficulties that will ensue and the losses that will result will be more than offset by public conservation of other commodities that the Food Administration has publicly referred to for the past several months.

There is no assurance that the speculative holders in Cuba will sell on any reasonable basis, and we do not propose at this late hour to permit the country to be held up. Any advance in the Cuban basis would mean an advance in the purchase price of Cuban sugar by other refineries in your city and Philadelphia, which would immediately result, and justly so under our contract, in an advance of the refined market. The amount of Hawaiian sugars to arrive exceed considerably those available in Cuba, and we do not propose to have the price of these Hawaiians advanced and take the chance of refined following. The amount of sugar in Cuba is so small that if equitably distributed to the various refineries of the country it would not keep any of them going for more than a few days. The policy you advocate, therefore, would at the best only result in keeping your refinery running for a day or two longer, when you must face the situation of closing down within a very short time, irrespective of any action that is taken with regard to the small amount of Cuban sugars available.

Yours, very truly,

U. S. FOOD ADMINISTRATION,
By GEO. M. ROLPH.

Senator LODGE. The refineries, as I understand it were prevented or forbidden from buying at over $6.90 a hundred?

Mr. SPRECKLES. Yes, sir; they were forbidden to buy at all.

Senator LODGE. Forbidden to buy at all?

Mr. SPRECKELS. Even at $6.90.

Senator LODGE. Even at $6.90?

Mr. SPRECKELS. Yes.

Senator LODGE. Did all the refiners close down, so far as you know?

Mr. SPRECKLES. Not all of them; no. Some of them did, but the National Sugar Co., who were receiving sugars, and the Pennsyl-

vania Co., who were receiving these Hawaiian sugars—the raw sugars—were operating.

Senator LODGE. But the other refiners closed down.

Mr. SPRECKELS. Yes, sir.

Senator LODGE. How long did that embargo last? How long were they prevented from refining?

Mr. SPRECKELS. Practically until now.

Senator LODGE. Until now?

Mr. SPRECKELS. Right up to date. We are still closed. Our refinery is still closed.

Senator LODGE. You have not been allowed, then, to buy sugar?

Mr. SPRECKELS. We are not allowed to buy any sugar except through the international committee.

Senator LODGE. Yes; and if they had bought sugars that you could use——

Mr. SPRECKELS. If they had bought them—for instance. sugars that passed through this country into Canada—we could have bought a number of cargoes. That is what I had reference to. I wanted to buy those cargoes that were subsequently bought by the Canadian refineries at a higher price. They bid a higher price.

Senator JONES of New Mexico. How much higher?

Mr. SPRECKELS. About 7 cents per 100 pounds.

The CHAIRMAN. About 7 cents per 100 pounds?

Mr. SPRECKELS. Yes; 7 cents, instead of 6.90.

Senator VARDAMAN. To refresh my memory, let me ask you this: What refiners were permitted to run and have been running all the time?

Mr. SPRECKELS. The National Sugar Refining Co., who were receiving these Hawaiian sugars under contract, and the Pennsylvania Sugar Refining Co.

Senator LODGE. Those are independent companies?

Mr. SPRECKELS. Well, so-called independents. I might enlighten you on Mr. Rolph's letter. He says that he did not want to take the chance on lots of sugar that were en route from Hawaii to these particular refiners. I understand the contract is that it takes the date of arrival—whatever price is paid for the sugar on that day, less 10 cents—so that if the price was advanced to 7 cents, they would have to pay $6.90, and if the price was $6.90 they would only pay $6.80; and he said he was only protecting the National Sugar Refining Co. and the Pennsylvania Co. on the price of their supplies, and, therefore, would not allow us to buy the sugars.

Senator LODGE. He speaks of only two or three days' supply of Cuban sugars. Were there sugars then or now in the market to be bought to keep these refineries from closing down?

Mr. SPRECKELS. There was quite a considerable lot of sugars in Cuba originally, and in Peru, that were held up because they would not pay the price for the Peruvian sugars, and would not pay the price for the Cuban sugars. Instead of those sugars coming to this country they were then diverted, and have gotten higher prices by being sent to other places.

Senator VARDAMAN. Where were they sent?

Mr. SPRECKELS. Some to Mexico and, I believe, some to Spain. I think some went to Argentina and some to England—to Europe somewhere; I do not know where.

Senator JONES. How much sugar was diverted in that way?

Mr. SPRECKELS. Probably, I should say, 50,000 or 60,000 tons; probably a little more. It was diverted—there may have been nearly 100,000 tons; but the sugars down in Peru were withheld from shipment. They simply did not ship them, but awaited their market, and finally did get higher prices.

Senator LODGE. From whom?

Mr. SPRECKELS. From the international committee. They could always get this $6.90, and they knew they could get it, and it was not an inducement to ship.

Senator LODGE. What did they get?

Mr. SPRECKELS. Six dollars and ninety cents.

Senator LODGE. Then they did get them at the price of $6.90?

Mr. SPRECKELS. They got them, but they got them too late.

The CHAIRMAN. Do you mean the international committee got these sugars but got them too late for the market?

Mr. SPRECKELS. Too late for the market. Some of them are en route now.

Senator LODGE. Do you mean that they bought these sugars at the price at which they had refused to permit you to buy them?

Mr. SPRECKELS. They would not permit us to buy at any price. We could have had them, probably, but we were bound by the agreement not to buy any.

Senator LODGE. But they stopped the buying at $6.90?

Mr. SPRECKELS. They stopped at the basis of $6.90.

Senator LODGE. And that stopped a number of refineries?

Mr. SPRECKELS. Yes.

Senator LODGE. And they later bought at $6.90?

Mr. SPRECKELS. Yes; they later bought at $6.90, but they bought too late. There was a gap in between, before these sugars arrived. Some of those sugars are coming forward now.

Senator VARDAMAN. But the sugars that were bought were distributed, according to the terms of this contract, among all the refineries.

Mr. SPRECKELS. Yes.

Senator LODGE. You mean the Peruvian sugars?

Mr. SPRECKELS. All the sugars.

Senator VARDAMAN. You mean to include in that the Louisiana sugars?

Mr. SPRECKELS. No; they were not distributed at all. They were bought.

Senator JONES. How long would that 50,000 tons of sugar which was diverted have run these refineries which were closed down?

Mr. SPRECKELS. The sugars that were diverted would have lasted the refineries probably 10 days, running at full capacity.

The CHAIRMAN. What refineries—all the refineries of the United States?

Senator JONES. All the refineries that were closed down.

The CHAIRMAN. All the refineries that were closed down. Now, I want to take up this contract that has some reference in it to contract sugars, a saving clause in regard to contract sugars.

Senator KENYON. Just one question. Did the international agreement cover the Louisiana sugars?

Mr. SPRECKELS. No, sir; it did not.

Senator LODGE. Who set those prices for the Louisiana sugars—the domestic sugars?

Mr. SPRECKELS. The Food Administration.

Senator LODGE. Not the international committee?

Mr. SPRECKELS. No, sir; the Food Administration set that price.

Senator VARDAMAN. What price did they pay?

Mr. SPRECKELS. They fixed a price of $6.35.

Senator LODGE. That was fixed by the Food Administrator himself, not by any members of the international committee?

Mr. SPRECKELS. No.

The CHAIRMAN. That was fixed by Mr. Hoover?

Mr. SPRECKELS. Yes; that was fixed by Mr. Hoover.

The CHAIRMAN. I call your attention to paragraph 5 of this refiners' agreement, which reads as follows [reading]:

> That in apportioning said sugar to any refiner, as provided in paragraph 4, the American refiners' committee shall take into consideration any written contracts now in effect made by the refiner for the purchase of foreign or domestic raw sugars for delivery after the date of this agreement, and also any contracts which refiner may hereafter make for domestic raw sugars which are not imported into the United States, or any purchases of same.

What was the condition with reference to sugars under contract at the time this arrangement was made?

Mr. SPRECKELS. The California-Hawaiian and the National and Pennsylvania had a contract with the Hawaiian planters to take the entire crop, so that did not come through. That was all contracted for under a yearly or three yearly contract—I do not know what it is.

The CHAIRMAN. What was Mr. Rolph's connection with this California company?

Mr. SPRECKELS. He is the general manager.

The CHAIRMAN. Was the price which they were to pay for their sugar under these contracts in a way regulated by this arrangement?

Mr. SPRECKELS. It was. They were to receive under their contract all their sugars at 25 cents a hundred pounds less than the New York price on the date of delivery. In other words, the price of $6.90 being established, they will pay 25 cents less for their sugars upon the Pacific coast than what the refiners of the eastern coast pay.

The CHAIRMAN. That is to say, if the price of $6.90 was fixed on Cuban sugars, delivered in New York, the price fixed on these Hawaiian sugars delivered in California would be $6.90 minus 25 cents per hundred pounds?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And Mr. Rolph's company was one of the companies that held those contracts, which embraced the entire supply from Hawaii?

Mr. SPRECKELS. It was.

The CHAIRMAN. Did that give them any advantage; that is, did that give those having this contract sugar any advantage of those who did not have the contract sugar.

Mr. SPRECKELS. It gives them this advantage, that the eastern refiners, we, under our agreement, must work on a differential of $1.30 per hundred, that we can charge more for granulated sugar than what we pay for the raw, but Mr. Rolph will get a differential of $1.55.

The CHAIRMAN. On his contract sugar?
Mr. SPRECKELS. On his contract sugar.
The CHAIRMAN. How much would that amount to with the output of Mr. Rolph's mills, in the way of advantage, in a year?
Mr. SPRECKELS About $1,500,000 per annum.
The CHAIRMAN. Do you understand whether Mr. Rolph is making any salary where he is now working, with the Food Administration?
Mr. SPRECKELS. For the Food Administration?
The CHAIRMAN. Yes.
Mr. SPRECKELS. I do not think so.
Senator LODGE. May I ask a question, there.
The CHAIRMAN. Certainly.
Senator LODGE. I just want to clear up something in my mind. You said on domestic sugars the price was fixed at $6.35 by Hoover.
Mr. SPRECKELS. That was for Louisianas.
Senator LODGE. For Louisiana sugars only?
Mr. SPRECKELS. Yes, $6.35. He fixed the price for beet sugar at $7.25.
Senator LODGE. Beet sugar they have fixed at $7.25; and Porto Rican?
Mr. SPRECKELS. Porto Rican there is no price fixed on. That would have to be bought through the international committee. I do not know what they fixed it at.
Senator LODGE. You mean the international committee fixes the price for Porto Rican sugar; sugar which comes from Porto Rico which belongs to the United States like Hawaii, and is the property of the United States?
Mr. SPRECKELS. Yes.
Senator LODGE. And that sugar is excepted and left to have its price fixed by the international committee?
Mr. SPRECKELS. Yes.
Senator LODGE. That is, we have two English gentlemen fixing the price there?
Mr. SPRECKELS. I do not know that they fix the price for this country.
Senator LODGE. No, I mean for Porto Rico alone.
Mr. SPRECKELS. The three American members of that international committee will fix the price for the Porto Rican sugar.
Senator LODGE. The three American members?
Mr. SPRECKELS. Yes, the three American members. That has not been fixed.
Senator LODGE. These three American refiners fix the price for the American sugar?
Mr. SPRECKELS. I do not know whether they will fix it at 6 cents or 3 cents. They have not done it.
Senator LODGE. I only wanted to find out who was fixing the price. Excuse me, Mr. Chairman.
The CHAIRMAN. I am going to suggest to the committee to take a recess at this point.
Senator LODGE. Let us take a recess for an hour.
The CHAIRMAN. Yes. Will that be agreeable?
(Thereupon at 1.15 o'clock p. m. the committee took a recess until 2.15 o'clock p. m.)

AFTER RECESS.

The committee reassembled, pursuant to the taking of the recess, at 2.15 o'clock p. m.

TESTIMONY OF MR. CLAUS A. SPRECKELS, PRESIDENT OF THE FEDERAL SUGAR REFINING CO., NEW YORK CITY—Resumed.

The CHAIRMAN. Mr. Spreckels, you have spoken of the fact that in your opinion the difference between the price that was fixed for the Cuban sugar and other sugars that had to be procured by those factories that did not have contracts gave an advantage to those who did have the contracts, in your judgment What, if anything, do you know about supplies of raw sugar being on hand at the time this shortage began to occur?

Mr. SPRECKELS. Mr. Rolph made the statement to me that they had on the Pacific coast, in the two refineries, approximately between 100,000 and 110,000 tons of raw material.

The CHAIRMAN. When was that statement made?

Mr. SPRECKELS. About the 1st of October. He stated that they had it on hand the 1st of October, last.

The CHAIRMAN. You say they had it on hand. Whom do you mean by "they?"

Mr. SPRECKELS. Two refineries. The Western Sugar Co., in San Francisco, he said, had about 40,000 tons, and his company had about 70,000 tons.

The CHAIRMAN. His company is what?

Mr. SPRECKELS. The California & Hawaiian Sugar Refining Co. He said they had, of raw material, unmanufactured, approximately 70,000 tons.

The CHAIRMAN. What, if anything, was said——

Mr. SPRECKELS. I suggested to him he better send some of that on here to relieve the situation.

The CHAIRMAN. On where?

Mr. SPRECKELS. On to the East, and have it manufactured here into the refined product. His answer to that was that they needed that to hold it for the Pacific coast, to keep their refineries working until they could get the new crop of Hawaiian sugars in, in January.

The CHAIRMAN. Did you say anything to him about the necessity of relieving the shortage in the East?

Mr. SPRECKELS. Yes; but he thought it was of paramount interest to him to keep those sugars there. I called his attention to the fact that the beet crop, California being a large beet producing State, would give them relief, but his answer was that he wanted to keep his refineries working.

The CHAIRMAN. Would the beet sugars, when they did come in, go through the refineries that Mr. Rolph has?

Mr. SPRECKELS. No.

The CHAIRMAN. Or would they be manufactured elsewhere?

Mr. SPRECKELS. They would be manufactured and sold to the trade. They come, refined, from the factories.

Senator LODGE. May I ask a question in relation to that? The scarcity of sugar in my part of the country, in Boston, in Massachusetts, in New England, has been very severe. I understood they

were sending beet sugars there to relieve the situation. What is the price of beet sugars at ports like Boston and New York? What is the price fixed there?

Mr. SPRECKELS. The price fixed under the agreement is $7.25 for Boston, New York, New Orleans, and San Francisco; but the price to-day fixed for Boston and New England is $8.15.

Senator LODGE. Eight dollars and fifteen cents for Boston as against $7.25 for other ports?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Who fixed that?

Mr. SPRECKELS. Mr. Rolph.

Senator LODGE. You have a sugar refinery in Boston?

Mr. SPRECKELS. We have not. There are two in Boston.

The CHAIRMAN. I would remark that this is the first time I ever heard of Boston getting the worst of it.

Senator LODGE. Perhaps it is not getting the worst of it so much as you think. Wait a moment.

There are two refineries there, supposed to be controlled by the American Sugar Refining Co.?

Mr. SPRECKELS. They have one.

Senator LODGE. Are either of those refineries working?

Mr. SPRECKELS. The American refinery is now working with the Louisiana sugar that has been sent up there.

Senator LODGE. What is the price of the Louisiana sugar?

Mr. SPRECKELS. The price of the beet sugar is $8.15 in Boston, and has been put at the price of the American refinery. I would remark that Mr. Rolph suggested that it might interfere with the price of the American Sugar Refining Co.'s product, and he therefore fixed the price at $8.15 for the beets, as well.

The CHAIRMAN. Now, I confess that, put in just this form, I have not caught quite the point of that. Will you not tell us that again?

Mr. SPRECKELS. The price fixed for the beet sugars was $7.25 at all seaports. For example, the price in Denver; as an illustration we will take the price of $7.25 in California; if it is shipped from there, plus the freight to the interior, approximately it made 50 or 60 cents, and therefore the price in Denver would probably be 8 cents. The basic price is fixed at all seaports—Boston, New York—in the way of the contract you read this morning.

Senator LODGE. That is because the Cuban and other important sugars come in at those places?

Mr. SPRECKELS. That is an arbitrary price.

Senator LODGE. Yes.

Senator VARDAMAN. Did you not state this morning that the Cuban was $6.90?

Mr. SPRECKELS. For raw sugars. We are now speaking of refined. There is a great shortage in the New England States, and they shipped some beet sugars from the West into New England States, to Boston and Providence, etc. Mr. Rolph requested the refiners' committee, of which I am a member, to establish a price for the beet sugar that was destined for Boston, and requested the refiners' committee to establish that price. My answer to that was that it was not the intention of the refiners' committee to establish any price; our function was simply to allocate sugars, and it was for the Food Administration to make the price. He said, thereupon,

"Very well, I shall fix the price at $8.15; otherwise, it might disorganize the conditions of New England. As the American's price is $8.15, it ought not to be less than that." Therefore he gave the beet-sugar people that additional advantage.

Senator JONES. Was that just for the one market—Boston?

Mr. SPRECKELS. It is also New York now.

Senator JONES. New York?

Mr. SPRECKELS. It is in transit now, being considered.

Senator JONES. What is the price here?

Mr. SPRECKELS. That was $8.15. For Washington, I do not know; but the price in Boston should be really $7.25.

Mr. Lowry just calls my attention to the fact that they made that price for all territory east of Pittsburgh.

The CHAIRMAN. Before we get too far away from it, I want to ask you if there was a basic price fixed for any kind of sugar except granulated sugar?

Mr. SPRECKELS. No; there is no other basic price fixed on refined sugar; only for granulated sugar.

The CHAIRMAN. And when I say basic price, as I understand, they started out with $6.90, and then they allowed the refiners to add to that $1.30 a thousand.

Mr. SPRECKELS. For manufacturing.

The CHAIRMAN. For manufacturing and——

Mr. SPRECKELS. And profit.

Senator REED. And profit. Now, that was limited, as I understand, to granulated sugar.

Mr. SPRECKELS. Only.

The CHAIRMAN. Only; so that, if I understand you right, a refiner making what we call lump sugar or Domino sugar would not be restricted by this agreement?

Mr. SPRECKELS. None whatever.

The CHAIRMAN. Would he be restricted about these light-brown refined sugars?

Mr. SPRECKELS. No; no other grade except the granulated sugar.

Senator JONES. Just let me make that clear, if you will. Do I understand that no price has been fixed up to date on any kind of sugar ready for consumption except the granulated sugar?

Mr. SPRECKELS. That is the only price that has been fixed. On any other sugar, you might mark that sugar under another brand, or something else, and ask 10 cents for it.

Senator VARDAMAN. Is that being done?

Mr. SPRECKELS. That is being done now.

The CHAIRMAN. Does your company handle any kind of sugar except the granulated sugar?

Mr. SPRECKELS. We handle cubes, powdered, and granulated sugar. We do not make the Domino. We do not make any of the so-called soft sugars—yellow sugars.

The CHAIRMAN. Did you make any objection or protest as to the price fixing being limited to one class of sugar?

Mr. SPRECKELS. I did.

The CHAIRMAN. To whom did you protest?

Mr. SPRECKELS. I protested a number of times to Mr. Rolph and called his attention to that—that it was unfair, because they were

exacting a higher price on their lower-grade sugars than on the higher grades. On anything above or below there was a larger differential.

The CHAIRMAN. When you say unfair, do you mean unfair to the refiners or to the public, or to whom?

Mr. SPRECKELS. Unfair to both.

The CHAIRMAN. Why was it unfair to the refiners?

Mr. SPRECKELS. It was unfair to the refiners because all of the refiners do not make that particular brand. The American Sugar Refining Co. appropriated $1,000,000 at its last annual meeting for advertising purposes. You probably have all seen the Domino sugars advertised. You have seen the "old-fashioned brown sugar" advertised. The "old-fashioned brown sugar" is nothing whatever except what they call the No. 11 sugar. That sugar, when it is branded No. 11——

The CHAIRMAN. What sugar is that, the brown?

Mr. SPRECKELS. The yellow sugar.

Senator LODGE. Testing about what?

Mr. SPRECKELS. I should say possibly 84 or 85.

The CHAIRMAN. I was asking why it was unfair to the refiners, and you stated that it was because all the refiners did not manufacture all of these outside classes.

Mr. SPRECKELS. It is unfair to the refiners, for example, first, because they can make an additional profit and not adhere to the $1.30 differential.

The CHAIRMAN. Let us get that so that it means something in the record. You say it is unfair to you because those companies that manufacture Domino sugars, the light-brown sugars, can charge a price greater than that of the granulated sugar, and that you do not make those two varieties of sugars.

Mr. SPRECKELS. Yes.

The CHAIRMAN. Now, how was it about other companies? Who did make those two varieties of sugars?

Mr. SPRECKELS. They all make these excepting ourselves.

The CHAIRMAN. All of the companies make the brown sugars in bulk except your company?

Mr. SPRECKELS. In bulk, yes, sir; but the American Sugar Refining Co. make their brown sugar and pack it into a package and charge the same price as they do for granulated sugar; but if they sell it in bulk, they sell it for half a cent a pound less than granulated sugar.

The CHAIRMAN. What have they been doing; what has been done by these companies making the brown sugar, making the Domino sugar, with reference to price, since the food regulation?

Mr. SPRECKELS. The bulk price is just the same. They sell that sugar at half a cent a pound less than granulated.

The CHAIRMAN. That is brown sugar?

Mr. SPRECKELS. That is, all refiners do that; that is the established price.

The CHAIRMAN. Yes.

Mr. SPRECKELS. Then the American Sugar Refining Co. pack it and advertise old-fashioned brown, and then when they pack it in that form they charge the same for it as for granulated sugar.

The CHAIRMAN. Is it worth as much as granulated sugar?

Mr. SPRECKELS. No, sir; certainly not; and I called Mr. Rolph's attention to that, and told him that he as a refiner knew it, and that he ought to stop it. It is not fair to the public in that direction, because the public are guided by an advertisement.

Senator VARDAMAN. Why is it not equal to the granulated sugar?

Mr. SPRECKELS. It does not have as great saccharine content. This would probably test 85 per cent sugar [indicating brown sugar], and the balance is molasses, and it is not completely refined. It contains ash and salts and various things, and molasses.

The CHAIRMAN. How much is it really worth less a pound than the pure granulated sugar?

Mr. SPRECKELS. Not over half a cent a pound less than the granulated sugar.

The CHAIRMAN. That is, when the price is at the point that it is at now?

Mr. SPRECKELS. Yes.

The CHAIRMAN. What about this Domino sugar, the white sugar which we call Domino sugar.

Mr. SPRECKELS. They sell that at 3 cents a pound higher than granulated sugar.

The CHAIRMAN. Do you make that?

Mr. SPRECKELS. We do not.

The CHAIRMAN. Do all these other companies make it?

Mr. SPRECKELS. It is only the American Sugar Refining Co.

The CHAIRMAN. It is only the the American Sugar Refining Co. that makes it?

Mr. SPRECKELS. Yes.

The CHAIRMAN. There is no regulation on that, is there?

Mr. SPRECKELS. No, sir.

Senator LODGE. It is under a patent, is it not?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. That patent, then, was included in the price?

Mr. SPRECKELS. In the price.

The CHAIRMAN. And the American Sugar Refining Co. has a monopoly of that because it is a patent?

Mr. SPRECKELS. Yes.

The CHAIRMAN. I do not mean a monopoly in any offensive way. It has a monopoly?

Mr. SPRECKELS. Yes. I believe that patent has recently expired.

The CHAIRMAN. Is there any demand for this sugar by reason of this advertisement you spoke of?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Can you give any idea now how much of this sugar has been sold in advance of the fixed prices?

Mr. SPRECKELS. No, I could not estimate that. I could not say.

The CHAIRMAN. Could you not say whether it was probably large?

Mr. SPRECKELS. I imagine it is large. I know when I arrived yesterday morning, when I took my breakfast at the station, I was interested to see if they had any sugar, and I talked with the waiter and he said "Last week we could not get any Domino sugar—the white sugar—and we were forced to dole out the old-fashioned brown sugar."

The CHAIRMAN. As a matter of fact there has been a large quantity—Well, I will not say it is a fact, but I will ask you whether or

not it is a fact that there have been considerable quantities of sugar? You know about that?

Mr. SPRECKELS. Oh, yes.

Senator JONES. I was going to ask, what is there in connection with Domino sugar that increases the price? To what does it relate—to the process of manufacture?

Mr. SPRECKELS. The process of manufacture, yes; there are two patents on it. I think the patents, however, have expired, now.

Senator JONES. What grade of sugar goes into that form?

Mr. SPRECKELS. A great deal goes into that form.

Senator JONES. What grade of sugar?

Mr. SPRECKELS. It is nothing but granulated sugar in a different form.

Senator JONES. That is what I wanted to get at.

Mr. SPRECKELS. That is all. We have the same thing in cubes; it is the same sugar.

Senator LODGE. Being in a different form it is unlimited.

Mr. SPRECKELS. Some want it in the cubes and some in the Domino shape.

The CHAIRMAN. Domino sugar is really what people up to date are looking for?

Mr. SPRECKELS. That is right.

The CHAIRMAN. I gather that impression from hearing women talk. Now, how high has the Domino sugar gone on the market?

Mr. SPRECKELS. Three cents a pound higher than granulated sugar.

The CHAIRMAN. That would be how much?

Mr. SPRECKELS. Eleven cents a pound.

Senator LODGE. It has retailed as high as 16 cents a pound in this town, as I know.

Mr. SPRECKELS. I know in New York the American Sugar Refining Co. sell it direct to the hotels, and they sell it at about 16 cents to 17 cents a pound.

Senator KENYON. You call all of this Domino sugar, do you not [indicating samples]? That is Domino sugar here [indicating]?

Mr. SPRECKELS. They call it Domino cane sugar, Domino powdered sugar, Domino old-fashioned brown.

The CHAIRMAN. Domino granulated sugar?

Mr. SPRECKELS. Domino granulated sugar. They call everything Domino.

The CHAIRMAN. Is there a Domino lump sugar?

Mr. LOWRY. That Domino form was the original Domino sugar.

Mr. SPRECKELS. It started from that, and then they continued with other forms of sugar, under the name.

The CHAIRMAN. It is in the shape of a domino, is it not?

Mr. SPRECKELS. No; but now they have added to this, on account of their "Domino," so extensively advertised; they have branded this "Old-fashioned Brand, Domino Sugar."

Senator LODGE. There is no Domino sugar about it?

Mr. SPRECKELS. No.

Senator KENYON. Domino sugar is granulated sugar in another form?

Mr. SPRECKELS. Yes; and 99.9 per cent pure.

Senator KENYON. There is no price fixed on Domino sugar?

Mr. SPRECKELS. No.

Senator KENYON. And there is a price fixed on granulated sugar?

Mr. SPRECKELS. Yes.

Senator KENYON. It is the same thing, except in a different shape?

Mr. SPRECKELS. Yes.

Senator KENYON. They can charge anything they please for the Domino sugar?

Mr. SPRECKELS. Yes, they can charge 10 cents a pound if they like.

The CHAIRMAN. Was there any price fixed on the cane sugars of Louisiana, cane sugars pure and simple? Was there a price fixed on those sugars?

Mr. SPRECKELS. You mean on what they call the raw sugars, or the clarified sugars?

The CHAIRMAN. Raw sugars.

Mr. SPRECKELS. It was fixed on all sugars.

The CHAIRMAN. What, if anything, became of that crop of Louisiana sugar?

Mr. SPRECKELS. It was contracted for by the American Sugar Refining Co. and shipped to Boston and New York.

The CHAIRMAN. But I am trying to ask you this question. I am stating it in rather a leading form. I have seen printed statements to the effect that the Louisiana sugar—well, I will ask you——

Mr. SPRECKELS. You mean the crop?

The CHAIRMAN. Yes; the crop. Who fixed the price of the Louisiana crop—what individuals?

Mr. SPRECKELS. I suppose, the Food Administrator.

The CHAIRMAN. The Food Administrator?

Mr. SPRECKELS. Mr. Hoover fixed the price.

The CHAIRMAN. Do you know when that price was fixed?

Mr. SPRECKELS. I think it was the beginning of October.

The CHAIRMAN. Prior to the time that the price was fixed, were you or any of the refiners at liberty to contract for that sugar?

Mr. SPRECKELS. We did not know what the price was going to be.

The CHAIRMAN. I say until the price was fixed, were you at liberty to contract for it and fix a price of your own?

Mr. SPRECKELS. Possibly.

The CHAIRMAN. Or did you have to wait until the price was fixed?

Mr. SPRECKELS. Possibly; but we did not know what price we would be allowed to pay for it, because the crop had not started, yet.

The CHAIRMAN. That is what I say; before the price was fixed and you knew what you would have to pay, you were at liberty to contract for it?

Mr. SPRECKELS. We were at liberty, but there was no sugar there available.

Senator VARDAMAN. Do you not buy sugar that way, sometimes, before it comes into the market?

Mr. SPRECKELS. Yes; contract for it, sometimes.

Senator VARDAMAN. Contract for it?

Mr. SPRECKLES. Yes.

Senator VARDAMAN. Did you make any contracts?

Mr. SPRECKELS. Not before that. We were still waiting for the price to be fixed. We knew the price was to be fixed.

Senator VARDAMAN. Were you prevented from making the contracts because you did not know the price at which you would be permitted to sell it?

Mr. SPRECKELS. Yes; my understanding is that we were not permitted.

The CHAIRMAN. I think we are getting involved here where there is nothing to be involved about. Until the price was fixed on the Louisiana sugar, were you in a position to buy?

Mr. SPRECKELS. No.

The CHAIRMAN. Now, tell us why.

Mr. SPRECKELS. There were no offerings of sugar at that time, because no sugar had yet been manufactured. The price of beet sugar was being arranged by the Food Administrator, and they were going to fix the prices of all sugars, and my understanding was that we must refrain from buying anything until the prices had been definitely fixed by the Food Administrator; and they did fix the prices.

The CHAIRMAN. Now tell us about when that price was fixed, and if you have any letters or correspondence about it, you are at liberty to refer to it.

Mr. SPRECKELS. The price was fixed in Washington. A committee was appointed of the Louisiana planters to come to Washington and confer with the Food Administrator.

The CHAIRMAN. Do you know who had them appointed; whether that was initiated here in Washington, to have them appointed, or whether it was initiated down there?

Mr. SPRECKELS. I do not know how it was initiated. Mr. Parker, the Federal Food Administrator, so I am told by Mr. Rolph, wired a request to have Mr. Babst, the president of the American Sugar Refining Co., invited to a conference to be held at Washington to fix the price.

The CHAIRMAN. Who was Mr. Parker?

Mr. SPRECKELS. Mr. Parker is the Federal Food Administrator for Louisiana.

Senator VARDAMAN. John M. Parker?

Mr. LINDLEY. Yes, John M. Parker.

Mr. SPRECKELS. I did not know he was the same.

The CHAIRMAN. Mr. Parker is the Federal administrator for Louisiana, and he was appointed by the Federal Food Administration of Washington?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Mr. Parker wired whom, and what?

Mr. SPRECKELS. He wired Mr. Rolph or Mr. Hoover, I do not know whom, that he was going to Washington with a committee representing the planters of Louisiana, for the purpose of having established the price at which they might be selling their next crop.

The CHAIRMAN. Yes.

Mr. SPRECKELS. He also wired requesting Mr. Rolph or Mr. Hoover to invite Mr. Babst, the president of the American Sugar Refining Co., to attend that conference. No other refiners, so far as I know, knew anything about it that Mr. Babst had been invited or that a conference was being held until we saw it in the paper.

The CHAIRMAN. When did you see it in the paper?

Mr. SPRECKELS. I saw it in the press after a contract was made, and they gave out the statement that 100,000 tons had been contracted for, and the price of 6.35 had been established for it.

The CHAIRMAN. Who contracted for that 100,000 tons?

Mr. SPRECKELS. The American Sugar Refining Co. Fifty thousand tons was to be delivered in New Orleans at 6.35, and 50,000 tons was to be shipped to Boston, Philadelphia, or New York; that the price should be only at 6.15, the purchaser absorbing the difference in the freight.

The CHAIRMAN. The price would be 6.15 to both points?

Mr. SPRECKELS. No; 6.15, but anything they took in New Orleans, they were to pay 6.35.

The CHAIRMAN. You say the American Sugar Refining Co. had a contract for a hundred thousand tons before you, and so far as you know, the other parties, knew even that a price had been fixed?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. How much is the total of the Louisiana crop?

Mr. SPRECKELS. About 225,000 tons.

The CHAIRMAN. Do you know whether there was any further provision in that contract in regard to the rest of the crop?

Mr. SPRECKELS. They had a provision in there; it was a tender that they were making for that; if they received 100,000 tons, as I recall from reading the contract, that they were to have an option of taking whatever they had to sell of raw sugar in addition to the 100,000 tons.

The CHAIRMAN. That is to say, in excess of the 100,000 tons, as you understand it—the American Sugar Refining Co.?

Mr. SPRECKELS. The American Sugar Refining Co. should have the call. They made a contract by which they would have the call.

The CHAIRMAN. They made a contract by which they would have 100,000 tons, and then the option to take the rest of the crop?

Mr. SPRECKELS. That is my understanding; if they sold it in that shape.

The CHAIRMAN. In which shape—raw sugar?

Mr. SPRECKELS. Raw sugar.

The CHAIRMAN. Senator Vardaman did not catch the price they were to pay. What prices were they to pay for the part that was optioned?

Mr. SPRECKELS. I do not recall the contract.

The CHAIRMAN. Have you a copy of that contract?

Mr. SPRECKELS. I have it in New York.

The CHAIRMAN. But you have not got it here?

Mr. SPRECKELS. I haven't it here.

The CHAIRMAN. I am going to ask you if you will not send us a copy of that contract?

Mr. SPRECKELS. I will be very glad to.

The CHAIRMAN. Did you have any correspondence about this Louisiana sugar transaction? At the time that we refer to, of these contracts in May with the Louisiana people, was Mr. Babst holding this position on the international committee?

Mr. SPRECKELS. He was on the international committee. I have been informed that Mr. Babst, after conferring and finding they did not agree, retired to the New Willard Hotel with the statement that he would be glad to contract at any price that the Food Admin-

istration might establish. Then the price was established and it was found that the contract was 6.35.

The CHAIRMAN. You say you had some correspondence about this matter?

Mr. SPRECKELS. Yes [showing chairman a letter].

The CHAIRMAN. This letter, of which you have handed me a copy, is that the first letter with reference to the Louisiana sugar situation?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. I think perhaps I had better read this. It is as follows [reading]:

EXHIBIT No. 11.

NEW YORK, *October 31, 1917.*

Mr. HERBERT HOOVER,
Food Administrator,
Washington, D. C.

DEAR SIR: You will remember that early last May when the question of Food Administration was first being discussed, I wrote you a letter which was presented to you by our Mr. Lowry, in which I offered the services of our plant and organization to the Government, stating that we were perfectly willing to operate on a toll basis, if desired. Our Mr. Lowry also informed you that the question of profit would be left entirely to the Administration, and if it was determined that the sugar industry of this country should operate without profit for the period of the war, we would willingly undertake our share of the work. I also suggested that Mr. Lowry would be very glad to discuss the situation more fully with you if desired.

After reviewing briefly to him what you had in mind, you asked that he consider the problem from your standpoint, and return that evening to further discuss the plan of sugar control through committees to be appointed later. This was done, and you will recall that one of the first suggestions made by him was that owing to the division that exists between the different interests in the sugar business, it was, in his opinion, advisable to choose a man as head of the sugar division who was not affiliated with any of these conflicting interests, but was a man of broad business training, who, after surrounding himself with men in the sugar business, and hearing the various sides presented to him, could determine without prejudice, what was in the best interest of the people of the entire country, and throw the weight of his opinion on that side. No charge could then be made that he was using his office for the purpose of advancing his own, or the interests of those affiliated with him.

I call these matters to your attention now, for the purpose of reminding you that we have at all times been in sympathy with the principle of Government Food Administration in this time of national emergency, and while we have been willing to cooperate with you to the fullest extent, we have not at any time sought advantages for our company.

When you announced the appointment of Mr. George M. Rolph, of the California & Hawaiian Sugar Co. of San Francisco, as head of the sugar division of the Food Administration, I assured Mr. Rolph that we held ourselves in readiness to assist him in making his administration a success. Subsequent discussion of the ways and means by which this was to be accomplished developed the fact that to control sugar refineries, he deemed it advisable to appoint two committees, one an International Committee, for the purposes of supervising the purchases of raw sugar, not only for the United States, but for the allies. This was to be composed of five members, the chairman to be Mr. G. M. Rolph, representing the Food Administration, two American members appointed by you, and two members to be appointed by Great Britain's commission on sugar supply. A second committee of five members, to supervise the distribution of raw supplies, and to attend to questions concerning local distribution, to be known as the refiners' committee, was also to be appointed.

A tentative agreement between refiners and the Food Administration was drawn up by Mr. Rolph, and submitted to refiners. This was received in a series of meetings held by refiners beginning September 19, 1917.

While these points were still under discussion, an announcement was made by you, under date of September 20, of the committee appointments. Considerable surprise in the trade was occasioned by the appointment as the American members of the international committee of Mr. Earl D. Babst, of the American Sugar Refining Co., and Mr. Wm. Jamison, of Arbuckle Bros., because previously the impression had been created by Mr. Rolph that, as had been done in England, no refiners would be selected as members of this committee. Mr. Babst has had but three years' experience in the sugar business, during which time his attention has been confined chiefly to reorganization, defending State or Government law suits for the dissolution of his company, and has little if any time to study the world's sugar markets. You stated that the two gentlemen in question were chosen because "they were not in any way interested in or connected with the production of raw sugar." If being interested in raw sugar constituted a valid objection, I respectfully submit that it is equally so in the case of Mr. Babst. His company, the American Sugar Refining Co., has very extensive interests in the production of beet sugar, and in that way is directly concerned in the price of sugar. I would also point out that some of the other refineries have absolutely no interest whatever in the production of raw sugar or beet granulated, although it is true that some of their officers have private investments of this character.

Especially in view of the appointments, it seemed to us that as drawn up, the agreement placed altogether too much power in the hands of the American Sugar Refining Co., and Mr. Lowry and I called on you for the purpose of bringing certain features to your attention. You agreed with us that the American members of the international committee should have nothing to do with the allocation of raw sugar to the different refiners, and that this function should be exercised entirely by the refiners' committee. Also that it should not be compulsory to submit, before its acceptance, all export business to the international committee.

Your agreeing with us that these objections of ours were well founded, resulted in their elimination in the final draft, but, as a result, Mr. Rolph submitted to us in a new agreement, in which there was a redrafting of the names of the alternates to serve on the refiners' committee, and in the place of three alternates, as was originally planned, seven names were submitted, selected in such a way that certain combinations were possible and giving every refiner importance with the exception of ourselves, either as direct or alternate members. We were not disposed to haggle over this, and promptly signed the agreement on October 3. Washington dispatches have since quoted Mr. Rolph as stating that we were first of all refiners to sign. Incidentally, I might mention that in conversation with Mr. Rolph, he several times mentioned that I was to be appointed the chairman of the refiners' committee, and I was curious to know how he knew this. However, when the committee met, it was apparent that it had been predetermined that Mr. James H. Post should be elected to this office, to which, I having voted for Mr. Post, naturally have no objection.

It is our opinion that a careful investigation will show that Mr. Rolph's efforts have been directed toward diverting everything possible into the hands of the American Refining Co.

I do not care to take up your time in this letter with our personal grievances, but I am sending these separately to you in a letter which I inclose herewith.

In passing let me point out to you that in the organization of the international committee I am informed that Mr. Mott, the buyer of the American Sugar Refining Co., is to have entire charge of the purchasing of raw sugar. This is in direct contradiction to the plan outlined some time ago by Mr. Rolph to us, and others, in which he stated that each refinery would do its own purchasing after a price had been fixed by the international committee and the allocation of the number of tons to be bought had been determined by the refiners' committee. The result is that brokers and raw-sugar merchants are now deeply concerned over this prospect, fearing that favoritism in buying will be shown, and that those who, for one reason or another, are not in favor will be discriminated against.

This, as you will see, puts a tremendous weapon into the hands of the American Sugar Refining Co., not only for the present, but for the future.

Arranging the headquarters of the sugar administration at 111 Wall Street has been done entirely by Mr. Babst, without consultation with any of the other refiners, and from the office boy up all those engaged are ex-employees of the

American Sugar Refining Co. I am now informed that a private telephone wire has been run from the Food Administration building to the American Sugar Refining Co.

Good faith is the basis for a successful administration on the plans outlined by Mr. Rolph for the conduct of the sugar business. In view of these developments I hold that it is not surprising that there has now developed in the sugar trade a lack of confidence, which I share, and one now frequently hears that the sugar division of the Food Administration is an adjunct and operated in the interest of the American Sugar Refining Co.

For these reasons I desire to call your attention to this side of the case, so that it may have your consideration and I may know whether or not it has your sanction.

I trust you will understand the spirit in which this is written, and beg to remain,

Yours, very truly, C. A. SPRECKELS.

The CHAIRMAN. Did you get a response to this letter?

Mr. SPRECKELS. No response.

The CHAIRMAN. Did you have any talk with any of the men connected with the Food Administration?

Mr. SPRECKELS. Just a minute. I think there was a reply to that. I think I have a reply covering two letters. Here is another letter.

The CHAIRMAN. This second letter you have handed me is dated November 2, 1917, and is as follows [reading]:

EXHIBIT No. 12.

NEW YORK, *November 2, 1917.*

Mr. HERBERT HOOVER,
Food Administration, Washington, D. C.

DEAR SIR: With reference to my letter of October 31, would say that early in September Mr. Rolph, as head of the sugar division, was exercising a certain control over the industry, and among other things, he instructed us to refrain entirely from purchasing any raw sugar supplies. This request was obeyed scrupulously, but as we reached the middle of October, it became imperative that we be allowed to do some buying, as in our effort to keep our trade supplied with refined sugar, we had oversold ourselves to the extent of approximately 3,000 tons. We laid the situation before Mr. Rolph, and asked that we be permitted to buy. It was then that we learned that to some extent at least Mr. Babst had taken it upon himself to exercise, not only the function of the international committee, but the refiners' committee as well, he having given, in instances, permission to other refiners to purchase certain quantities.

I then demanded that action be taken in our case, and to my surprise found that while we had been kept out of the market, over 100,000 bags had been secured under option from Mess. Czarnikow Rionda Co. Mr. Rolph advised me that this was reserved stock held by the international committee for the account of whom it may concern. We promptly requested a share, and after considerable trouble secured this, but were astonished to be assured by Mr. Babst that we should be very grateful to his company for allowing us to have any of this stock, as the sugar was under option to the American Sugar Refining Co. for their sole use. If Mr. Babst's statement was correct, it is clear that while our hands were tied, the American Sugar Refining Co. was allowed to go out quietly and secure under option a considerable quantity of sugar, and if we had not indirectly learned of this, it is more than likely we would never have secured a pound.

Seeing that an acute situation was developing, because of the inabilities to secure raw sugar supplies, at the price fixed by the Food Administration, we wired Mr. Rolph on October 19 as follows:

"We have been obliged to close our refinery and a thousand men will be out of employment unless we are permitted to supply ourselves with raw material. The international sugar committee who under the agreement entered into with you are to purchase all raw material, will not pay more than $6.90 per hundred pounds for raw sugar and are, therefore, unable to supply us. We would

gladly pay more for our raw material and agree not to advance our price for refined sugar. We would in fact be willing to work without any profit or even at a loss rather than deprive those who are urgently in need of sugar. The people of the Eastern States are clamoring for sugar, and particularly the manufacturers, such as condensed-milk concerns, whose product is needed for our Army and Navy. We suggest that you instruct the international committee to endeavor to relieve the immediate critical situation by paying a little more and secure for us our raw material. This can hurt no one but the refiner, as we are willing to forego any profit and continue to sell at our present price. An answer will be appreciated."

During this period of stress we were willing to proceed as above, keeping our organization together and our trade at least partly supplied rather than shut down. His reply was that this plan was inadvisable because of the effect it might have on the price of Hawaiian sugar arriving under contract to the National Sugar Refining Co., of New York, and the Pennsylvania Sugar Refining Co., of Philadelphia. It seems to me that this might have been done without the international committee changing its "basis price."

That it was Mr. Rolph's intention to force us into a position where our refinery would have to close down during this critical period, while others operated, was shown by his letter to us of October 23.

"Referring again to your telegram of the 19th instant and my letter to you of October 19, was it not understood and agreed that if procured for you 13.300 bags of raw sugar from the lot held by Czarnikow Rionda Co., that it would enable you to close up all your outstanding contracts, and that you would then be ready to close down your plant until new Cuban sugars arrived? It was on this understanding on my part that I secured for you the sugar you requested."

No such proposal was made to Mr. Rolph by us.

To further complicate the situation the announcement is now made by the Food Administration that through its cooperation with Louisiana planters the American Sugar Refining Co. has secured 100,000 tons of Louisiana sugar, 50,000 tons of which will be shipped to New York. In view of the fact that we were told to stay out of the market, I naturally supposed that Mr. Babst, in making this purchase, did so as a member of the international committee, and that we would be allotted our proper portion. The trade generally took this view of the matter, and we at once made inquiries as to how soon we would now be able to make deliveries. I was, therefore, astonished to learn that this was not the case, and that none of the sugar was to go to any refiner but the American Sugar Refining Co.

With regard to the transportation of this sugar, the Food Administration made the following announcement:

"Shipping has been engaged through the efforts of the transportation division of the Food Administration for the transportation of one-half of this sugar to the Philadelphia, Boston, and New York refineries. The first cargoes should leave Louisiana next week for New York."

For the sugar division of the Food Administration to assist in securing this supply solely for the American Sugar Refining Co. seems to me a matter of bad faith. When I made this charge, both Mr. Rolph and Mr. Babst stated that the Louisiana planters desired only to deal with the American Sugar Refining Co., and for that reason no refiner but Mr. Babst was bidden to the Washington conference. I am now assured by Mr. John M. Parker, chairman of the Louisiana committee, that this is not a fact, and that any refiner was at liberty to contract for sugar as far as the inerest he represents was concerned.

We are asked by Mr. Rolph to close down, allow our organization to be disrupted, and our trade to be supplied by others, while raw sugar is obtained by him for our competitors, and we have no share in either the profits of the distribution of the supplies thus secured. Because of this our competitors are in a position to remind the trade for a long time to come that during the period of stress, the only refiner that was able to supply them with any sugar was the American Sugar Refining Co., and this company would, therefore, receive the major part of their business in the future. Furthermore, the American Sugar Refining Co. has, as you know, been making a great effort to establish their package sugar among the trade. Recently they have announced that they would not accept any orders among the grocery trade excepting the package sugar. Formerly Mr. Rolph was opposed to the sale of package sugar on conservation grounds. If, during the period of scarcity, the only sugar obtainable in the

grocery stores in this eastern territory is Crystal Domino granulated, done up in American Sugar Refining Co. packages, you can appreciate what enormous prestige this will give them. I inclose herewith a letter written to the Food Administration regarding distribution of package sugar at this time.

In spite of the primitive and unbusiness-like blowing of trumpets in the newspapers, dispatches from New Orleans now state that nothing has finally been concluded on the part of Louisiana planters. I submit, however, that the efforts on the part of Mr. Rolph and Mr. Babst to conclude this deal without giving our interests any consideration confirms my previous charge of "bad faith." Furthermore, you will note the price paid for the Louisiana sugar was $6.35 a hundred pounds, so that at $8.25 (the price fixed for refined) the refiners using this sugar would have a gross margin of nearly 2 cents per pound. With reference to this the Food Administration states:

"The price will enable the refiners to sell sugar at a steadily reducing price, starting from $8.35 per hundred, eastern seaboard, and reducing to $7.25 about the end of the year."

While arrangements were being made to secure this sugar and profit for the American Sugar Refining Co., Mr. Rolph in conference stated that in order to encourage early operation in Cuba, a higher price might have to be paid for early delivery in raw sugar, but that the price of refined could not be correspondingly advanced, and that we would have to run on a margin for about 0.01 per pound, which possibly would be made up by allowing a wider spread later in the season. You will note that Mr. Rolph tried to secure this wide margin for the American Sugar Refining Co. for November and December of this year notwithstanding our telegram to him of October 19, agreeing to operate at cost if necessary provided he furnished us with raw supplies.

If it was the purpose of the administration not to attempt to keep the different refineries running, then some plan should have been devised to proportion the output of the plants that were operating so that each company would be in a position to supply its customers with some sugar. If our plant was to operate, certainly we would have been very glad to join in such a scheme as this, and turn out sugar for competitors under their brand.

Another matter that has caused the greatest dissatisfaction is the disposition of the sugar which refineries had under contract with neutral nations, sold before shipments were prohibited. As soon as shipments were prohibited it was known that this sugar could not go abroad, and that some other disposition would have to be made of it. All of those interested called this to Mr. Rolph's attention weeks ago and asked for a ruling. About October 10 some 16,000 tons of this sugar was offered him at his request by the owners at the exact cost. It was expected that he would attempt to arrange for the sale of it to the British commission for shipment to France, but from that time up to the present the owners have been left in the dark as to whether it was to be accepted. Meanwhile, there is distress in this market owing to the scarcity of supplies, and it is clear that if the sugar was not going to France it should be sold here where there are many buyers anxious to take it at cost. Yet nothing is done and 300,000 bags of sugar is allowed by the Administration to lay in store in New York and vicinity while consumers generally are clamoring for supplies. The primitive and unbusinesslike statements in the newspapers that this sugar was released when such was not the case has also caused great dissatisfaction and trouble to refiners and the trade. There may be some good reasons for this attitude, but it is incomprehensible to us.

In spite of the fact that two months ago everyone in the sugar trade that we came in contact with was anxious to do everything possible to make the Food Administration a success. If you will investigate you will now find that there is much disapproval at the methods that have been employed, and we believe the situation has finally become serious enough to warrant your making a thorough investigation.

I am yours, very truly,

C. A. SPRECKELS, *President.*

FROM FEDERAL SUGAR REFINING CO.,
91 Wall Street, New York.

That letter was dated November 2. Did you receive a reply to either or both of those letters?

Mr. SPRECKELS. I did. Here is Mr. Hoover's reply to those letters. This letter reads as follows [reading]:

EXHIBIT No. 13.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., November 5, 1917.

C. A. SPRECKELS, Esq.,
American Sugar Refining Co.,
117 Wall Street, New York City.

DEAR Mr. SPRECKELS: I beg to acknowledge your letters of October 31 and November 2. I do not think that it is incumbent on me to traverse most of the statements made therein, many of which are based on an entire misconception on your part. I do not think it is the sense of your letter that you wish to dictate to the Government whom it shall appoint to represent it in the control of the industry with which you are connected. We have appointed your good self to the refiners' committee. Any complaints you may have with regard to your colleagues should surely be lodged with them in the first instance, and then if you do not think you are securing justice, I am perfectly prepared to hear both sides in the case.

So far as sales of Louisiana sugar are concerned, as you yourself state, the American Sugar Refining Co. was called into negotiations by the Louisiana producers themselves and not at the inspiration of the Food Administration. The sole interest of the Food Administration was to settle a price at which all refiners could deal, and therefore I do not see the point of your comment.

I think you will also recognize that the sole object of the Food Administration is to secure fair prices to the American producers and the American consumer, with the minimum loss to the producer and consumer through the handling and manufacture of sugar. In order to effect these objectives and protect the American public from speculation and extortion, sacrifices will be required from all sides, and cooperation is vitally necessary from every important unit in the industry. It is, I believe, essential that old animosities and prejudices should be buried in this time of national crisis, and the Food Admnistration has a right to expect an entire spirit of helpfulness from every quarter.

Yau may rest assured that every power of the Food Administration will be exerted to prevent unfair and discriminatory practice or methods of anyone in the industry in carrying out its program of protection to the American public. You will appreciate that the only test that the Food Administration can apply to any transaction is whether it is in the interest of the public, and if you feel that any action of the committee of which you are a member is not of this character, I shall be glad to hear from you at any time.

Yours, faithfully,

HERBERT HOOVER.

The CHAIRMAN. I want to ask if this committee of which you are a member had anything whatever to do with the fixing of the price of the Louisiana sugar?

Mr. SPRECKELS. None whatever.

The CHAIRMAN. Did you have anything to do—this committee—with the allotment of that sugar?

Mr. SPRECKELS. None whatever.

The CHAIRMAN. Did you have anything to do with, or any knowledge of the fact that the sugar was contracted or was to be contracted within a few hours after the price had been fixed?

Mr. SPRECKELS. I did not know anything about it until I saw the first press report that 100,000 tons had been contracted for.

The CHAIRMAN. Did you have any talk with Mr. Hoover or Mr. Babst or Mr. Rolph in regard to the way in which the Louisiana deal was effected?

Mr. SPRECKELS. I did.

The CHAIRMAN. About when did you have that conversation?

Mr. SPRECKELS. The first conversation was two days after the closing of the contract, when Mr. Rolph came to the refiners' committee room and announced that he had had a very hard time the last three days down in Washington in fixing the price for the Louisiana sugars.

The CHAIRMAN. Where was this that he came to you?

Mr. SPRECKELS. At the refiners' committee room at No. 111 Wall Street, the building in which the Food Administration is located.

The CHAIRMAN. What had that building formerly been?

Mr. SPRECKELS. It is a new building.

The CHAIRMAN. Very well; he came there, and whom did he meet there at this time?

Mr. SPRECKELS. The refiners' committee were in session.

The CHAIRMAN. Now, just tell us what transpired.

Mr. SPRECKELS. When he was seated, he said he was very tired, that he had had such a hard time in arranging with the Louisiana planters the price at which they might sell their sugars, and thereupon I asked Mr. Rolph how we were to allocate those sugars. I thought he was there for that purpose. His reply was that they were not to be allocated; that this contract was made with the American Sugar Refining Co. and by the American Sugar Refining Co., and solely for them. I said, "Why, I am amazed at that. We did not know what price we were to pay for it." He said, "You all have the privilege of going there." I said, "But we have not been apprised until two days after the contract has been made." Well, he said Mr. Babst, at the request of Mr. Parker and the Louisiana committee, had been invited there; that at first he went there, and later on retired from the conference, and said that he was willing to take the 100,000 tons of sugar at any price that the Food Administration might determine that they could pay for it. They did determine the price, and the committee then adjourned to the New Willard Hotel, where Mr. Babst was awaiting them, and they signed the contract. That night he gave it out to the public press. I called his attention to it that we had not been apprised of the price at which we could pay for it; but he said that he had published it in the press. I said, "Well, I do not believe everything I see in the papers, and when I did, I thought it naturally was for all the refiners."

The CHAIRMAN. When was it published in the press? Was it published in the press before the contract was made or after the contract was made?

Mr. SPRECKELS. After the contract was made; he says it was that same night.

The CHAIRMAN. How long after?

Mr. SPRECKELS. He gave the statement out and it was published the next day. I called his attention to the fact that we should also have been apprised of that same price when he did determine the price. He said, "I can not notify every refiner of what price you are permitted to pay for it." I said, "But the fact remains that you did notify Mr. Babst. Mr. Babst was at Washington, and you knew it when he retired to the New Willard Hotel. I call it manifestly unfair to our company." His reply was, "You can go and contract now." I said, "Yes; you have taken the horse out of the stable,

and now you say it is free for us to go in; but Mr. Babst has already walked off with the horse."

Senator VARDAMAN. Was there any more sugar to be contracted for?

Mr. SPRECKELS. I wired all of the planters in Louisiana offering to take as high as 40,000 tons at $6.35 in Louisiana, and I would pay my own transportation. The planter, knowing that he could get $6.35, did not care to sell his sugars for $6.15. Thereupon the American Sugar Refining Co., through its president, magnanimously offered to advance that price and pay $6.35.

Senator VARDAMAN. He therefore bought the remainder in the hands of the planters?

Mr. SPRECKELS. Yes; the planters at that time, I understand, expected to make, in raw sugar only, 130,000 tons; but they had a frost and could not make that.

The CHAIRMAN. How much?

Mr. SPRECKELS. A hundred and thirty thousand tons was all that they could produce.

Senator VARDAMAN. They did not have the 40,000 tons that you offered to buy, then?

Mr. SPRECKELS. No, sir.

Senator VARDAMAN. How much did they have?

Mr. SPRECKELS. They expected to have 130,000 tons, and the American Sugar Refining Co.'s contract was up to 100,000 tons; but they could not fill their contract, because they did not have enough. The frost intervened immediately following the making of the contract.

The CHAIRMAN. I may have misunderstood you, but I understood you to say a while ago that the American Sugar Refining Co. secured a contract for 100,000 tons, and that was about 40 per cent of the sugar of Louisiana.

Mr. SPRECKELS. Of all the sugar. The balance goes into clarified and granulated sugar.

The CHAIRMAN. All the sugar? You did not mean to say cane sugar?

Mr. SPRECKELS. Cane sugar; they produced 225,000 tons this year, of which 30,000 they are going to make into raw sugar, and the rest of it had gone into what is called clarified sugar. A higher-grade sugar they were going to make.

The CHAIRMAN. That they sell direct to the consumer?

Mr. SPRECKELS. Direct to the consumer.

The CHAIRMAN. So that when they got a contract for 100,000 tons of sugar they had practically absorbed the entire Louisiana crop?

Mr. SPRECKELS. Precisely.

Senator VARDAMAN. You, then, were not able to buy any at all?

Mr. SPRECKELS. None at all, sir.

Senator JONES. I would like to get this clear in my mind. When this price of Louisiana sugar was fixed, who was present?

Mr. SPRECKELS. The Louisiana committee, Mr. Hoover, and Mr. Rolph, so I am told. I take Mr. Rolph's statement for that.

Senator JONES. I understand that before they had definitely fixed the price Mr. Babst had retired to the New Willard Hotel?

Mr. SPRECKELS. And was waiting there.

Senator JONES. I know; but was Mr. Babst in consultation with Mr. Hoover and Mr. Rolph and the Louisiana people?

Mr. SPRECKELS. For a time.

Senator JONES. For a time?

Mr. SPRECKELS. Yes.

Senator JONES. And Mr. Rolph was there to participate in fixing the price of that sugar?

Mr. SPRECKELS. Yes.

Senator JONES. Mr. Hoover, I presume, was the one who had the direct authority, and it was to be done in his name, was it not?

Mr. SPRECKELS. In his name.

Senator JONES. In what capacity was Mr. Rolph there?

Mr. SPRECKELS. In charge of the sugar division.

Senator JONES. I see; and you say that Mr. Babst had been invited there by the Louisiana people?

Mr. SPRECKELS. Through Mr. Parker, the Federal Food Administrator.

Senator JONES. That was your information at the time?

Mr. SPRECKELS. That was my information.

Senator JONES. Has that been controverted.

Mr. SPRECKELS. No; I think there is a telegram from Mr. Parker stating that.

Senator JONES. What was the occasion for Mr. Babst being invited to that meeting?

Mr. SPRECKELS. As explained to me, they thought that he was the logical man that could buy their sugar, as the American Sugar Refining Co. had a refinery in New Orleans and they could take the great bulk of it in New Orleans.

Senator JONES. Did they take a large proportion of it in New Orleans?

Mr. SPRECKELS. I do not know that they got any. I do not know what they got.

Senator JONES. The Louisiana people were interested in having it sold in New Orleans, were they not?

Mr. SPRECKELS. Only that there would be a differential.

Senator JONES. Under the price that was fixed there was a differential, was there not?

Mr. SPRECKELS. Of 20 cents a hundred pounds; but they immediately changed that price to the $6.35.

Senator JONES. They enhanced the price?

Mr. SPRECKELS. Yes, sir.

Senator JONES. That is, after you had offered the enhanced price?

Mr. SPRECKELS. After we had offered it; not before.

Senator JONES. What was the reason, Mr. Spreckels, for giving this difference in price, paying $6.35 for it in New Orleans and $6.15 for it in New York?

Mr. SPRECKELS. They wanted the planter to absorb part of the freight.

Senator JONES. Why should the planter absorb part of the freight?

Mr. SPRECKELS. I will have to refer you to Mr. Hoover on that. I see no good argument for it. I was willing to take it at the full price in New Orleans myself.

Senator JONES. Was there a difference in the refined sugar at the two points which would justify such a difference in the price of the raw sugar?

Mr. SPRECKELS. I do not quite get that.

Senator JONES. Was there a difference in the price of the refined sugar at the two points which would justify the difference in price of the raw sugar?

Mr. SPRECKELS. The price was the same and the cost would not be a bit more delivered to the American Sugar Refining Co. in New York of that raw material.

Senator JONES. But the price of the refined sugar was the same in New Orleans as in New York?

Mr. SPRECKELS. Precisely. It was $8.35, and the price in New York was $8.35. The prices were the same. But if the American Sugar Refining Co. had paid all the freight they still would have been within the limit of $1.30 on the differential between the raw and the refined sugar.

Senator JONES. In other words, if the American Sugar Refining Co. had paid all the freight, then it would have had the same margin of profit that it was permitted to make on Cuban sugars?

Mr. SPRECKELS. The same.

Senator JONES. You have referred to the question of closing down your refinery. Does that often occur?

Mr. SPRECKELS. No, sir; it does not.

Senator JONES. How often have your refineries been closed down in the last 10 years?

Mr. SPRECKELS. As a rule, we close at the end of the season. When I say "the end of the season" I mean between Christmas and New Years, or perhaps for a fortnight. Sometimes we close down for a week and sometimes for three weeks, and when we have any necessary repairs during the year, if we want to change tanks, which we can not do during the operation, we postpone that all to the end of the year, and make those changes at that time. We have gone through without closing at all.

Senator JONES. And the reason given to you for not permitting you to pay an additional price for the Cuban sugar was that that sugar was held by a few speculators, and that if they were permitted to get the price demanded that would destroy the power of the price fixing by the food administration; was that it?

Mr. SPRECKELS. One of the reasons.

Senator JONES. What other?

Mr. SPRECKELS. The other reason was that they wanted to protect the National Sugar Refining Co., who had a large quantity of Hawaiian sugars coming in under contract under which they paid 10 cents per hundred pounds less in New York than any price that was paid for Cuban sugars.

Senator JONES. Who gave that as a reason?

Mr. SPRECKELS. Mr. Rolph, in his letter which was read this morning.

Senator VARDAMAN. Pardon me, Senator; was Mr. Rolph's company the one that would have been the beneficiary in holding the price down? Was the company that Mr. Rolph represented the beneficiary? Would it have benefited itself by holding the Hawaiian sugar at the price?

Mr. SPRECKELS. It would also have benefited his company, because in California he would have paid 25 cents less; he would pay for it 25 cents a hundred pounds less in California than any price established in New York, and, therefore, it would have benefited him directly as well; but he does not mention that in his letters.

Senator VARDAMAN. I suppose that was just an omission.

The CHAIRMAN. Do you recall the letter that was read this morning, from Mr. Rolph—the first letter that was read this morning?

Mr. SPRECKELS. I have that letter here.

The CHAIRMAN. Have you found that letter?

Mr. SPRECKELS. It is right here [indicating letter].

The CHAIRMAN. Will you read that part of the letter?

Mr. SPRECKELS. He says [reading]:

> The amount of Hawaiian sugars to arrive exceed considerably those available in Cuba, and we do not propose to have the price of those Hawaiians advanced and take the chance of refined following.

In other words, if they advanced, the National Sugar Refining Co., who was receiving these sugars, might advance the refined. I wired him to buy these sugars and we would keep our price for refined the same.

Senator JONES. How much was there of the Cuban sugar supply still remaining?

Mr. SPRECKELS. At that time?

Senator JONES. At the time of this controversy between you and Mr. Rolph?

Mr. SPRECKELS. Seventy thousand tons available at that time in Cuba.

Senator JONES. Do you know anything as to whether or not this was being held by speculators at the time?

Mr. SPRECKELS. I have no knowledge to that effect, sir.

Senator JONES. What price did they demand for that sugar—the people who did own it?

Mr. SPRECKELS. Seven cents, I think it was; 10 cents a hundred pounds higher.

Senator JONES. Ten cents a hundred pounds higher?

Mr. SPRECKELS. Yes.

Senator JONES. Now, even to have bought that sugar and to have paid that additional 10 cents a hundred pounds, it would not have been necessary, would it, for you to offer it at cost, or without a profit?

Mr. SPRECKELS. We possibly would have made still a profit at it; but I was willing to pay even a higher price than that and satisfy the trade.

Senator JONES. At that particular time, I believe you stated a while ago that you were oversold; is that correct?

Mr. SPRECKELS. Yes, sir.

Senator JONES. What do you mean by "oversold"?

Mr. SPRECKELS. We had made sales to the extent of 20,000 bags; approximately 1,000 tons.

Senator JONES. And to whom were those sales made?

Mr. SPRECKELS. To various parties through the country.

Senator JONES. They were not——

Mr. SPRECKELS. It was a matter of miscalculation. We sell our sugars approximately, and we will have so much sugar——

Senator JONES. It was not an overselling on any exchange, so as to be what is ordinarily called "short"?

Mr. SPRECKELS. No; we do not operate on any exchange.

Senator JONES. You stated at that time that you were willing to operate your refinery without a profit, until the close of the war.

Mr. SPRECKELS. Yes.

Senator JONES. What was the occasion of that proffer?

Mr. SPRECKELS. I said that if it was determined by the Food Administration, if all the refiners were willing to operate without profit for patriotic reasons, we would do likewise.

Senator JONES. What was the occasion for making that kind of proffer? Had anybody made a request that you operate without a profit?

Mr. SPRECKELS. No. We wanted to show our willingness to do anything to help the Food Administration; whatever they determined for us to do.

Senator JONES. Was that offer made with a view to induce this committee to allot to you a part of the sugar, so that you might cover your short contracts?

Mr. SPRECKELS. Oh, no. That offer was made far in advance of that, when I offered to operate during the period of the war without profit.

Senator JONES. You simply repeated, then, in these letters and your telegram what you had previously offered in that regard?

Mr. SPRECKELS. Yes; I offered that definitely, without any question as to what others would do; that we were willing to maintain the price and keep our price to the consumer, no matter what we paid for the sugar.

Senator JONES. Now, aside from this shortage of 1,000 tons in your contracts——

Mr. SPRECKELS. In other words, enough to keep our plants busy for 12 hours. Our capacity was 2,000 tons and we were 1,000 tons short.

Senator JONES. As to the Cuban supply; I understand you this morning to say that would only have run all the refineries which were closed down for a period of 10 days if you had gotten it all; and if that be so, in what period of time would you have been required to close down, anyway?

Mr. SPRECKELS. I did not know that it was quite so much. I did not take into consideration some of the other ports. There were 70,000 tons available down in Cuba. That would cover possibly two weeks—10 days—but there were other sugars which were available from Peru, from other ports, which we might have obtained, but the shipment was deferred. They did not send it on.

The CHAIRMAN. May I ask a question at that point? If you had gotten the 70,000 tons from Cuba and this other available sugar, and it had been refined and put onto the American market, what would have been the result with reference to this shortage?

Mr. SPRECKELS. About 500,000 barrels of sugar.

The CHAIRMAN. What effect would that have had on the shortage? Would it have filled the gap?

Mr. SPRECKELS. That would have about filled the gap.

Senator JONES. Why was it you did not get the sugar from Peru?

Mr. SPRECKELS. We were not permitted to buy any sugar excepting through the International Committee, and they did not choose to buy it.

Senator JONES. For what reason, do you know?

Mr. SPRECKELS. We were under an agreement with the Food Administration.

Senator JONES. But, I mean, for what reason did they not buy it?

Mr. SPRECKELS. Did they not buy it?

Senator JONES. Yes; did the commission not buy it?

Mr. SPRECKELS. I do not know.

Senator JONES. Have you made inquiry?

Mr. SPRECKELS. No.

Senator JONES. How much was there of that sugar?

Mr. SPRECKELS. I could not say offhand. I can supply that. I will be very glad to do it.

Senator JONES. Then, for the sake of getting your share of the 70,000 tons of sugar in Cuba at an advanced price of 10 cents a hundred pounds, you were willing to operate without profit on all sugars?

Mr. SPRECKELS. On all sugars.

Senator JONES. But the reason given why you were not permitted that extra 10 cents a hundred pounds for the Cuban sugar was that they did not want the price which had been fixed by the administrator or the committee upset, was it not? In other words, they wanted to give the Cuban sugar owners to understand that they were able to cope with the situation and fix the price on Cuban sugar; was that it?

Mr. SPRECKELS. Partly so. Perhaps that is what they had in mind; and Mr. Rolph's letter speaks for itself. His letter says they want to protect those Hawaiian sugars. He does not want to pay the enhanced price on the other sugars which were under contract, and the price of which had not been fixed, and the price of which was to be fixed on the basis of Cuban sugars.

Senator JONES. You speak of protecting the Hawaiian sugars. That did not relate solely to the protection of the refining company which had contracted for that sugar, did it?

Mr. SPRECKELS. Altogether.

Senator JONES. Altogther? Would it not have affected the price to the consumer?

Mr. SPRECKELS. That would depend entirely upon the actions of the National Sugar Refining Co. They would determine that. If they wanted to make their full differential of $1.30, and would not do as we did, it would enhance the price of the sugar to the consumer.

Senator JONES. But it had been decided that a differential of $1.30 was a reasonable one?

Mr. SPRECKELS. Yes.

Senator JONES. And you entered into that arrangement?

Mr. SPRECKELS. Yes.

Senator JONES. And thought it was reasonable, did you not?

Mr. SPRECKELS. Yes.

Senator JONES. Now, assuming that to be a reasonable differential, if they had permitted the Hawaiian sugar grower to increase the price 10 cents a hundred pounds, then the price of the refined sugar would have had to be increased to the consumer, if you permitted this reasonable differential, would it not?

Mr. SPRECKELS. Yes; if they chose to avail themselves of it—of the necessities of the consumer. We did not want to take advantage, so far as we were concerned, of the necessity of the consumer by exacting a further price. We might have been permitted to do so, but we preferred not to.

Senator JONES. You were willing to make a loss?

Mr. SPRECKELS. If necessary.

Senator JONES. If necessary?

Mr. SPRECKELS. Yes.

Senator JONES. To protect the consumer?

Mr. SPRECKELS. The consumer and our labor. I did not want to have my men out of employment.

Senator JONES. But if the sugar refining business was to proceed with a reasonable profit, a profit which you had decided was a reasonable one, if the price of this 70,000 tons of Cuban sugar had increased 6 cents a hundred pounds, then it would have become necessary, if the transaction were to continue upon a fair basis, to increase the cost to the consumers of the country 10 cents a hundred pounds on all the sugars, would it not?

Mr. SPRECKELS. It would.

Senator JONES. And that is the reason why, along with this protection of the American Sugar Refining Co. to which you have referred, Mr. Rolph and Mr. Hoover decided that they did not want to permit you to pay this higher price for that 70,000 tons of Cuban sugar, is it not?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And did they succeed in breaking the spirit of the Cuban sugar refiner and making him surrender, or did he sell his sugar to somebody else?

Mr. SPRECKLES. He sold his sugar elsewhere at a higher price.

The CHAIRMAN. If this sugar had been obtained for our markets, even at a slightly increased cost to the consumer, what is your opinion as to whether the people would have preferred to pay the slightly increased cost, or to have done without sugar?

Mr. SPRECKELS. My judgment is that they would rather have paid the 10 cents a hundred pounds and had the sugar, than to have had a price without the sugar.

Senator VARDAMAN. Did you not agree, if you were permitted to pay that 10 cents a hundred pounds extra, that you would not increase the price to the consumer?

Mr. SPRECKELS. So far as our company was concerned, we did.

Senator VARDAMAN. Would you not have made a very fair profit on the manufacture of the article?

Mr. SPRECKELS. We would.

Senator VARDAMAN. Even at $1.20?

Mr. SPRECKELS. Yes.

The CHAIRMAN. $1.30.

Senator VARDAMAN. He was getting $1.30, but even at $1.20?

Mr. SPRECKELS. Yes.

Mr. VARDAMAN. You would not have lost anything on the transaction, nor would any other refiner have lost anything?

Mr. SPRECKELS. No, sir.

Senator JONES. I misunderstood you this morning, evidently, and I would like to have it made clear now. This 70,000 tons of Cuban sugar, did any of that ultimately come into the United States?

Mr. SPRECKELS. About one-half of it. I think less than one-half; about one-half, or less than half.

Senator JONES. At what price?

Mr. SPRECKELS. At $6.90.

Senator JONES. At the $6.90 price?

Mr. SPRECKELS. Yes.

Senator JONES. That is what I understood you to say this morning; that ultimately those people did decide to take the price at $6.90.

Mr. SPRECKELS. They did.

Senator JONES. Why did they sell any of it in the United States at $6.90 if they sold any of it at a higher price; why did they not sell all of it at a higher price?

Mr. SPRECKELS. You will have to ask them; I do not know.

The CHAIRMAN. When did that balance of the Cuban sugar finally get to this country?

Mr. SPRECKELS. There is a part of it en route now. It has been coming along spasmodically and in small parcels.

The CHAIRMAN. Did it get in in time to supply the deficiency in the market?

Mr. SPRECKELS. Two cargoes arrived here. $6.90 was paid for it—two cargoes—that was sold to the trade.

The CHAIRMAN. It reached the trade?

Mr. SPRECKELS. It reached the trade, and it reached it at a higher price than the sugar that was sold—two cargoes of sugar were under offer to the international committee at $6.90. The party, for some reason or other, received his confirmation too late. I only repeat what he told me. He received his confirmation along about 6 o'clock in the evening. The following morning he offered it to them at $6.90 and notified them that he had the confirmation of the two cargoes of sugar which they had treated of. They declined to take them.

The CHAIRMAN. Wait just a minute. You are talking about this and using the sugar terms, etc. Two cargoes of Cuban sugar were offered to whom?

Mr. SPRECKELS. To the international committee.

The CHAIRMAN. By whom?

Mr. SPRECKELS. A. H. Lamborn & Co.

The CHAIRMAN. Who are they?

Mr. SPRECKELS. He is a sugar broker.

The CHAIRMAN. And he offered that to the international committee at $6.90—this sugar broker?

Mr. SPRECKELS. Yes.

The CHAIRMAN. What happened?

Mr. SPRECKELS. They declined it.

The CHAIRMAN. Who declined it?

Mr. SPRECKELS. The international committee.

The CHAIRMAN. Now, proceed.

Mr. SPRECKELS. That left the sugar broker, who had committed himself for two cargoes of sugar, with that sugar.

The CHAIRMAN. What did that amount to—two cargoes of sugar?

Mr. SPRECKELS. Half a million dollars.

The CHAIRMAN. That left the sugar on his hands?

Mr. SPRECKELS. That left the sugar on his hands. He came over to my office wildly excited and did not know how to finance it. His cargo was loading and coming along. I said to him that I would be perfectly willing to finance it for him, because I would not have him fail, and I would take care of it until an adjustment could be made and this cargo was sold. He went back to his office, and within 15 minutes after, Mr. Mott, an ex-employee of the American Sugar Refining Co., who now looks after the buying for the international committee, went to his office and offered him 25 cents a hundred pounds less than what the established price was which they were paying. He declined it. He felt secure in the position that these cargoes would be coming along and they would sometime be needed, anyhow; and the next thing I heard of him was that he had sold these two cargoes. One was destined to Baltimore, to C. D. Kenny & Co., sugar merchants, and the other cargo he had sold to the Great Atlantic & Pacific Tea Co. He sold that at an advance of 25 cents over the price fixed by the international committee, instead of 25 cents below, and they paid him $7.15 per hundred pounds.

The CHAIRMAN. Who paid that—the Great Atlantic & Pacific Tea Co.?

Mr. SPRECKELS. C. D. Kenny and the Great Atlantic & Pacific Tea Co.

Senator JONES. Was that a violation of their contract with the food administration?

Mr. SPRECKELS. They had no contract.

The CHAIRMAN. They were not refiners?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Was that raw sugar?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. How could they handle that raw sugar?

Mr. SPRECKELS. The Great Atlantic & Pacific Tea Co. have, I believe, 3,600 stores throughout the country. They were without sugar. Sugar was not obtainable. They concluded, rather than have the public do without sugar, that they would dole it out in the state of raw sugar. It was then that I suggested that it was possible to refine that sugar and not put it out in raw sugar; that I did not think it was a wise thing for the public to be forced to eat raw sugars. It was suggested that we might get these two cargoes back and have them refined on the toll basis. I explained it to Mr. Rolph. I told him that I thought it was an error that raw sugars should be put out in that way, that the consuming public should have to come in and buy raw sugars instead of refined, and it was not in my judgment a good thing for the Food Administration to force them to do that. They were glad to get the cargoes back and have them refined on the toll basis. I had a conference with the buyers, and said I would refine it for $1.30 if I had the permission to do so from the Food Administration. They got permission from Mr. Rolph, and he said that under the circumstances he would allow us to refine these sugars on the toll basis.

Senator JONES. On the toll basis of $1.30?

Mr. SPRECKELS. Yes.

Senator JONES. That made the cost, then, to the Great Atlantic & Pacific Tea Co. what?

Mr. SPRECKELS. It made it $8.45 to the tea company.

Senator JONES. And at what price did the tea company sell that to the consumer?

Mr. SPRECKELS. I do not know what they are selling it at; but instead of our price they had taken that in at $6.90, and added $1.30 to it; we would have sold that sugar to them at $8.20 instead of $8.45, which they had to pay for it.

Senator JONES. You mean $8.15?

Mr. SPRECKELS. No, $1.30 plus $6.90. It was offered at $6.90 to the sugar committee, plus $1.20.

The CHAIRMAN. Instead of the consumer getting it at $8.20——

Mr. SPRECKELS. He had to pay $8.45 for it.

The CHAIRMAN. Provided it was sold without any margin?

Mr. SPRECKELS. That is what the Great Atlantic & Pacific Tea Co. paid us for it.

The CHAIRMAN. They paid you?

Mr. SPRECKELS. Yes. The Warner Sugar Refining Co. took one cargo and we took the other.

The CHAIRMAN. The Federal Sugar Refining Co. refined one cargo that went to Baltimore?

Mr. SPRECKELS. Yes; but it was diverted and sent on instead.

The CHAIRMAN. And is that the way this Great Atlantic & Pacific Tea Co. got the sugar that they have been supplying?

Mr. SPRECKELS. That is where they got it.

The CHAIRMAN. By getting that sugar in that way, do you know whether they have had any rule or regulation about how they have sold it?

Mr. SPRECKELS. I know nothing of it.

The CHAIRMAN. Whether other goods had to be bought in order to get it?

Mr. SPRECKELS. I do not know about that.

Senator KENYON. Do you know how much sugar we have turned over to France this last year?

Mr. SPRECKELS. To France?

Senator KENYON. Yes. One hundred thousand tons, is it not? If you do not know, I will not ask you that; but you do know that a considerable amount of sugar has been turned over to France?

Mr. SPRECKELS. Yes; and a lot of sugar, I think, has not been turned over to France.

Senator KENYON. Yes; but do you know whether or not that has had anything to do with this shortage?

Mr. SPRECKELS. No, sir.

Senator KENYON. You think it has not?

Mr. SPRECKELS. No, sir; not so far as this country is concerned.

The CHAIRMAN. I suggest that the committee have a short executive session for a conference, and then that we adjourn until to-morrow morning. Senator Kenyon has asked to call Mr. Spreckels about the sugars that have gone to France, and you might get those figures for him to-morrow.

The committee will now adjourn.

(Whereupon, at 4.45 o'clock p. m., the subcommittee adjourned until 10.30 o'clock a. m. to-morrow, Saturday, December 15, 1917.)

SHORTAGE OF SUGAR.

SATURDAY, DECEMBER 15, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the room of the Committee on Indian Affairs, Capitol, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, Jones of New Mexico, Lodge, and Kenyon.

The CHAIRMAN. With reference to the request that the Food Administration be permitted to be represented by counsel, and that counsel be permitted to cross-examine witnesses, the view of the committee, which is unanimous, is that the ordinary custom of committees should be followed in this case. That custom is that the committee conduct the examination throughout, but the committee will be glad to investigate any question touching the matters of inquiry which may be suggested to the committee by the Food Administration or by any official of the Government, or by any other party having information of value, and the counsel of the Food Administration or any of these other parties can make suggestions either to the committee or to any member of the committee, and the matter will be as fully gone into as the committee deems proper and necessary.

Mr. LINDLEY. Mr. Chairman, may I ask one question as to the interpretation of that statement? Does that mean that the representation or suggestion should be made to the committee publicly or to any member of the committee privately?

The CHAIRMAN. Any question that it is desired to have asked or any suggestion as to any lines of investigation may be made to the committee publicly, or it may be made to any member of the committee privately. We desire to permit the fullest possible opportunity. Or it may be made in writing.

TESTIMONY OF MR. CLAUS A. SPRECKELS, PRESIDENT OF THE FEDERAL SUGAR REFINING CO., NEW YORK CITY—Resumed.

The CHAIRMAN. Mr. Spreckels, on yesterday you spoke of the connection of some of the gentlemen now associated with the Food Administration, in the sugar department, with refiners. You spoke of Mr. Babst, Mr. Rolph, and Mr. Jamison. Are there other men with the sugar department of the Food Administration who have had previous connection with the sugar refineries?

Mr. SPRECKELS. There are a great many.

The CHAIRMAN. Can you name any of them?

Mr. SPRECKELS. Yes. There is Mr. Mott.

The CHAIRMAN. What is his present connection with the Food Administration?

Mr. SPRECKELS. Arranging for the purchase of sugars for the international committee.

The CHAIRMAN. Do you know who pays his compensation; to whom it is assessed?

Mr. SPRECKELS. It is assessed to all of the parties in interest who receive sugar from the international committee.

The CHAIRMAN. That is all of the refiners?

Mr. SPRECKELS. Yes.

The CHAIRMAN. For whom did Mr. Mott work immediately before he assumed this position?

Mr. SPRECKELS. He was the buyer for the American Sugar Refining Co.

The CHAIRMAN. Who is Mr. Gibson?

Mr. SPRECKELS. He is Mr. Babst's private secretary, I believe. He is now secretary of the international committee.

The CHAIRMAN. Do you know what salary he gets?

Mr. SPRECKELS. $5,000 a year, I believe.

Senator LODGE. Is that a Government salary?

Mr. SPRECKELS. No; that is paid by the parties in interest who receive the sugar.

Senator KENYON. What was his salary before he took this position?

Mr. SPRECKELS. I do not know.

Senator VARDAMAN. Before you go further, I wish you would state who pays the salary.

Mr. SPRECKELS. It is paid by all the parties who receive raw sugars from the international committee.

Senator VARDAMAN. The refiners?

Mr. SPRECKELS. Yes. It will be assessed in proportion to the tonnage received by each refiner.

The CHAIRMAN. Who is Mr. Hooker?

Mr. SPRECKELS. I hardly know how to classify him, except to say that he is a sort of steering committee of one, who has his office there. and before you can reach anybody in the building you are supposed to apply to Mr. Hooker, who will give you permission to see whomever you wish to see in the building.

The CHAIRMAN. Of what building are you speaking?

Mr. SPRECKELS. 111 Wall Street.

The CHAIRMAN. What is that building?

Mr. SPRECKELS. It is a building occupied in part by Arbuckle Bros., by the American Molasses Co., and the Food Administration.

The CHAIRMAN. Is Mr. Hooker connected with the Food Administration in the way you have spoken of?

Mr. SPRECKELS. Yes.

Mr. CHAIRMAN. So that if you wish to go there, or anyone else, to see any of the men connected with the sugar end of the Food Administration, you go to Mr. Hooker to get permision to do it? Is that it?

Mr. SPRECKELS. Personally, I would not. Of course, I would go to my committee, being a member of the refiners' committee, but anyone else going there must go to him first. It was also my experience

at one time to be stopped by one of the watchman on the floor. They have a number of watchmen also, former employees of the American Sugar Refining Co., and I was stopped by one of them in the hallway.

The CHAIRMAN. Was Mr. Hooker formerly in the employ of the American Sugar Refining Co.?

Mr. SPRECKELS. Yes; I was told by the watchman, the officer, that I must first receive permision from Mr. Hooker.

The CHAIRMAN. To what extent are employees there who were formerly in the employ of the American Sugar Refining Co., in a general way?

Mr. SPRECKELS. Recently they put in a few others, but practically every one in the building was connected formerly with the American Sugar Refining Co.—stenographers, secretaries, watchmen.

The CHAIRMAN. Have you had up the question of the propriety of men acting on these important committees fixing prices and making contracts when they are themselves interested in the result of those contracts or of the prices fixed? Have you had that question up with Mr. Hoover.

Mr. SPRECKELS. I had the question up with Mr. Hoover and I told him——

The CHAIRMAN. I am just going to ask you to please state the circumstances, and if you have any correspondence with reference to it, you can produce it.

Mr. SPRECKELS. I have nothing in the way of correspondence, but I came to Washington personally and I told Mr. Hoover that I thought it was an error of judgment to place any refiner on the international committee. That would include myself, for at one time they had considered placing me on that committee. I told him I thought it was an error of judgment because they might do things they ought not to do; they might have a selfish interest, and they ought to be like Cæsar's wife, beyond suspicion. That was my judgment, and it is to-day.

The CHAIRMAN. The point I am trying to get at is a matter that came out in conversation with you when I was asking you about the matter. You spoke about being asked yourself to serve on a committee fixing the price of sirups or something of that sort.

Mr. SPRECKELS. Yes.

The CHAIRMAN. Tell us about that.

Mr. SPRECKELS. I was invited to a conference called by Mr. Rolph at which all those interested in sirups and molasses were to be present.

The CHAIRMAN. About when was that conference?

Mr. SPRECKELS. I can give you the exact date. It was on December 5, in the afternoon.

The CHAIRMAN. What took place at the conference?

Mr. SPRECKELS. There was a general discussion, but they concluded they could get nowhere unless they appointed a committee.

The CHAIRMAN. What was the discussion about?

Mr. SPRECKELS. Fixing the different prices for different grades of sirups, where one sirup should sell at one price and one sirup at another price, and so on.

The CHAIRMAN. Do the refiners produce these sirups?

Mr. SPRECKELS. Yes, they produce sirups and molasses: and at the conclusion Mr. Rolph, turning to me, asked if I would accept the

chairmanship of such a committee. I immediately replied that I would, his only request being that I would place upon that committee Judge Milling of Louisiana. That was late in the afternoon. During the night, and thinking the matter over, I thought it was not proper for me to act on that committee and appoint that committee. He suggested a committee of from five to seven. I immediately wrote early in the morning the following letter to Mr. Rolph.

The CHAIRMAN. You may read it, if you please.

Mr. SPRECKELS. That letter is as follows [reading]:

EXHIBIT No. 14.

GEORGE N. ROLPH, *in charge of Sugar Division, United States Food Administration, 111, Wall Street.*

DEAR SIR: When yesterday I assented to your suggestion of accepting the chairmanship of a committee to recommend to Mr. Hoover a price at which sirups and molasses should be sold in the United States, I had only in mind serving the Food Administration, but in thinking the matter over I have come to the conclusion that it would be wrong for me to serve, for the reason that I am an interested party. If I may, I would suggest that you appoint an entirely disinterested committee who could take testimony of the various interests and make an impartial report to Mr. Hoover. Regretting that I can not serve under the circumstances, I am,——

The CHAIRMAN. What was done then about the appointment of that committee?

Mr. SPRECKELS. Mr. Rolph rung me up at 5 o'clock on December 6, the same day, and he said that he regretted that I had taken that position of not serving. I reiterated to him over the phone that it was impossible, that I did not feel I should sit there in judgment of myself. I understand now another committee has been formed, with Judge Milling as the chairman. Beyond that I know nothing.

The CHAIRMAN. You do not know who compose that committee?

Mr. SPRECKELS. I do not.

The CHAIRMAN. While we are upon this theme, I would like to ask you now who fixed the differential of $1.30 that was to be paid to the sugar refiners? I mean, to put it in plain language, who fixed the price that the sugar refiners were to receive, for their work and for their profit, at $1.30?

Mr. SPRECKELS. That was fixed by mutual consent between Mr. Rolph and all the refiners.

The CHAIRMAN. Mr. Rolph is a refiner?

Mr. SPRECKELS. He is.

The CHAIRMAN. The refiners then got together and fixed this price?

Mr. SPRECKELS. Each one made a suggestion as to what it ought to be.

The CHAIRMAN. They got together and agreed on the amount of profit they were to exact on their business. Was anybody there to represent the consumers?

Mr. SPRECKELS. No.

The CHAIRMAN. Was anybody there to represent the wholesale trade in sugar?

Mr. SPRECKELS. No. There were present only the refiners.

The CHAIRMAN. When it came to fixing the price of Cuban sugar, who was it that was there to represent this country?

Mr. SPRECKELS. The international committee fixed that.

The CHAIRMAN. Two of those gentlemen were Englishmen, and they were not in the sugar business.

Mr. SPRECKELS. One is a sugar merchant.

The CHAIRMAN. But not a sugar refiner?

Mr. SPRECKELS. No. The other gentleman is a capitalist.

The CHAIRMAN. The three men who represented America, however, were Mr. Rolph, Mr. Babst, and Mr. Jamison?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Are they all sugar refiners?

Mr. SPRECKELS. All.

The CHAIRMAN. So they fixed the price at which they were to buy, and they also fixed the price at which they were to sell?

Mr. SPRECKELS. No; they did not fix the price at which they were to sell.

The CHAIRMAN. I mean the sugar refiners fixed the price at which they were to sell.

Mr. SPRECKELS. Yes.

The CHAIRMAN. And these three refiners, in connection with the Englishmen, fixed the price at which they were to buy?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Was any one there to represent the people on that purchase price fixing?

Mr. SPRECKELS. No, sir.

Senator VARDAMAN. What is the difference between the price fixed for sugar to be sold now and the price at which sugar was selling in normal times, with smaller profits than you are making now?

Mr. SPRECKELS. The difference between that and the present price?

Senator VARDAMAN. Yes.

Mr. SPRECKELS. The price was less than it is now.

Senator VARDAMAN. Do you remember how much?

Mr. SPRECKELS. Only by referring to statistics.

The CHAIRMAN. I wish you would put those prices in the record now.

Mr. SPRECKELS. May I read the prices from this journal?

The CHAIRMAN. Yes.

Mr. SPRECKELS. I have them here for the past 10 years, and I am taking Willett & Gray's statistical journal for them.

The CHAIRMAN. Those are the prices at what points—in Cuba or in this country?

Mr. SPRECKELS. I was about to give them in raw sugar. That is what you want?

The CHAIRMAN. Yes; the prices at New York or San Francisco.

Mr. SPRECKELS. New York.

Senator VARDAMAN. What is the difference between the New York price and the San Francisco price?

Mr. SPRECKELS. The San Francisco price is 25 cents per hundred less.

The CHAIRMAN. At the present time?

Mr. SPRECKELS. It was so at that time. It has been continuously so.

The CHAIRMAN. You may give those prices.

Mr. SPRECKELS. In 1907 the price was 2.396; in 1908, 2.713; in 1909, 2.646; in 1910, 2.828; in 1911, 3.09; in 1912, 2.80; in 1913, 2.15; in 1914, 2.745; in 1915, 3.626; in 1916, 4.767.

The CHAIRMAN. The present price agreed upon is what? I would like to put that in at this point. That is, duty free?

Mr. SPRECKELS. That is the proposed contract you are speaking of?

The CHAIRMAN. I am speaking of the price that is being paid for the sugars that are now subject to delivery, not the proposed future price. Is it 6.90?

Mr. SPRECKELS. $5.875, in the same position; that, taking off the duty.

Senator LODGE. Taking off the duty?

Mr. SPRECKELS. Yes.

The CHAIRMAN. What is the proposed price for next year, or for the crop that is now beginning to be harvested?

Mr. SPRECKELS. Nothing, as I understand it, has been definitely settled, but the proposed price will be approximately 5 cents.

The CHAIRMAN. Who makes this proposition, and what is your authority for making the statement you have just made?

Mr. SPRECKELS. The statement comes to me through Mr. Rolph. and also through officers of plantations in Cuba in which I am interested.

The CHAIRMAN. You are a sugar producer in Cuba, also, are you?

Mr. SPRECKELS. I have a stock interest in a number of plantations there.

The CHAIRMAN. When did you have this conversation with Mr. Rolph in regard to the price of sugar?

Mr. SPRECKELS. When he asked me for a power from my company for the international sugar committee to enter into a contract.

The CHAIRMAN. To enter into what kind of a contract?

Mr. SPRECKELS. A contract for the purchase of the Cuban sugars. They proposed to make a contract for the next year's crop.

The CHAIRMAN. I understand you to mean this, and I am going to state it to see if I am correct, and if I am not, you will please correct me. Mr. Rolph has asked the sugar refiners to sign a paper authorizing somebody——

Mr. SPRECKELS. The international committee.

The CHAIRMAN. The international committee, to make a contract for the Cuban sugar?

Mr. SPRECKELS. For our account.

The CHAIRMAN. For your account; so that you would become bound to pay the prices that they might fix?

Mr. SPRECKELS. Exactly.

The CHAIRMAN. In connection with that the price that was suggested and tentatively agreed upon was what?

Mr. SPRECKELS. 4.60, f. o. b. Cuba.

The CHAIRMAN. Which would be how much in New York?

Mr. SPRECKELS. Adding freight of 30 to 40 cents it would bring it up to about 5 cents a pound.

The CHAIRMAN. If 5 cents a pound was the basic price in New York, what price would that mean for the sugar after it had been refined—that is, the wholesale price?

Mr. SPRECKELS. 7.30 net.

The CHAIRMAN. If 7.30 net was the price fixed upon the Cuban sugar by virtue of this arrangement, what would be the effect, then, upon the price of beet sugar and cane sugar raised in this country?

Mr. SPRECKELS. It would be the same.

The CHAIRMAN. So that if this deal is made the wholesale price of raw sugar in the United States for next year would be approximately at least $7.30?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. What would that mean in the way of a retail price, assuming that the retailer does not profiteer, but that he goes on in the ordinary way, selling sugar—I mean by that, he sells with the ordinary and usual profits of these times?

Mr. SPRECKELS. There is no control over the small retailer and I could not say. There is only a control over the wholesaler. The wholesaler is permitted to make a quarter of a cent a pound. There is no control over the small retailer.

The CHAIRMAN. Exactly; but, speaking generally, the retail price follows the wholesale price, and I suppose there is a kind of a general average.

Mr. SPRECKELS. A general average—I would say maybe 8 cents, maybe 9 cents.

The CHAIRMAN. Have you made any protest or objection to fixing the price of Cuban sugar for the next year as high as is proposed?

Mr. SPRECKELS. I have.

The CHAIRMAN. I wish you would let the committee have the benefit of your information on that subject.

Mr. SPRECKELS. I do not know whether you care to have inserted the first request for this power.

The CHAIRMAN. Yes; let us have it all; or you might give me the book and call my attention to it. Perhaps some of it may not be pertinent. [After examining letter:] This letter of November 30 that you have handed me is the request for the power, is it?

Mr. SPRECKELS. Yes, sir; and the power is just underneath it.

The CHAIRMAN. Let me read it [reading]:

EXHIBIT No. 15.

UNITED STATES FOOD ADMINISTRATION,
111 WALL STREET, NEW YORK CITY.
November 30, 1917.

FEDERAL SUGAR REFINING CO.,
Mr. C. A. Spreckels, President, 91 Wall Street, New York City.

My dear Mr. SPRECKELS: The time is approaching for the purchase of new crop sugars, and it will greatly facilitate the work of the international sugar committee if the various refiners will execute and return immediately the authorization to the committee to purchase raw sugars for them as per form attached.

I trust you can see your way clear to cooperate in this matter at an early date.

Very truly, yours, GEO. M. ROLPH.

EXHIBIT No. 16.

NOVEMBER 30, 1917.

INTERNATIONAL SUGAR COMMITTEE, UNITED STATES FOOD ADMINISTRATION,
111 Wall Street, New York City.

GENTLEMEN: You are authorized to purchase for our account under contract dated October 1, 1917, entered into by us with the United States food adminis-

trator, such proportion of all raw sugar purchased by you which may be allotted to us under said contract.

Very truly yours,

———— ————.
By ———— ————,
President.
By ———— ————,
Secretary.

The CHAIRMAN. Now, what did you do in connection with that?

[Mr. Spreckels handed the chairman a letter.]

The CHAIRMAN. Is this letter you have handed me, of December 7, your answer to the question?

Mr. SPRECKELS. It is.

The CHAIRMAN (reading):

EXHIBIT No. 17.

DECEMBER 7, 1917.

The INTERNATIONAL SUGAR COMMITTEE,
George M. Rolph, Chairman, 111 Wall Street, New York City.

GENTLEMEN: My personal interests will be better served if your committee carries out its announced intention to purchase at this time the entire Cuban sugar crop for 1917–18, for I am interested in various plantations whose products will be included in the purchase. Nevertheless, I wish to register my unalterable opposition, because I believe that the purchase will be distinctly prejudicial to the consuming public.

In my judgment, the proposed price—4.60 f. o. b. Cuba—is too high; it is higher than contracts already placed; it is higher than the average for the past three years, although the outturn promises to exceed previous records. Moreover, it is not prudent to make such a large purchase at the present time. If the war should suddenly end; if tonnage should be provided for the 900,000 tons old Javas and the estimated 1,500,000 new Javas; if the present 85 pounds average consumption per capita should, by reason of the appeal for conservation, fall to the English average of 50 pounds per capita or lower; in short, if any one of several events should occur, the supply of raws might largely exceed the demand, and your committee, being loaded up at high prices, would be severely handicapped in securing to the consuming public the reasonable price which the size of the crop would otherwise have insured.

I can see no public advantage in effecting a purchase of the entire crop at this time; on the contrary, the advantage appears to be all with planters, who will be assured the highest price they have received within the present decade, and this in the presence of a phenomenal crop.

Again, by making this purchase you thereby establish the price for Hawaiian and all other sugars for the entire year at an excessively high figure which can not thereafter be reduced within the year. At 4.25 cents, the price prevailing during the past two years, abnormal profits were reaped by the Cuban, Hawaiian, and Porto Rican planters, and it seems unnecessary and unwise to increase their profits at the expense of the public, particularly at this time.

It is my judgment that the discreet course would be to make 30 or 60 day contracts until the situation is clarified. In this way your committee would benefit by a competition which does not now exist, and would be in a position to take advantage of conditions as they eventuate. By purchasing the entire crop in advance and at the proposed top price you will discount to the advantage of the planters all the untoward conditions which would otherwise make for lower prices.

I take the liberty of addressing these remarks to you because for many years I have been in close touch with market conditions, and my opinion may be entitled to consideration.

Respectfully, ———— ————.

Senator KENYON. Judge Lindley suggests that he would like to have the reply to that letter read.

The CHAIRMAN. It will be read right away, but I want to ask this question: By giving this high price, as you consider it, for these Cuban sugars, which you say would also result in a high price for

Hawaiian sugars, would not that encourage the production of sugar for next year in Cuba—a larger crop in Cuba?

Mr. SPRECKELS. I do not think so.

The CHAIRMAN. Why not?

Mr. SPRECKELS. Because the crop that they would harvest, that they would plant in the spring, could not be harvested until the following year, 1919.

The CHAIRMAN. What time in 1919?

Mr. SPRECKELS. It would be in the spring of 1920.

The CHAIRMAN. We are up to 1918, nearly, now.

Mr. SPRECKELS. We are up nearly to 1918 now.

The CHAIRMAN. How long does it take to mature a sugar crop after it has been planted—an original planting? How many months?

Mr. SPRECKELS. The first planting generally takes from 15 to 18 months.

The CHAIRMAN. And then, after it is planted——

Mr. SPRECKELS. Thereafter only 12 months.

The CHAIRMAN. And then does it become a permanent crop in Cuba, so that it grows from year to year?

Mr. SPRECKELS. For many years it is harvested thereafter every year.

The CHAIRMAN. But if a crop now takes from 15 to 18 months to mature, then how much longer does it take to get that sugar onto the market, after the crop is matured—to the retail market, for instance, in this country?

Mr. SPRECKELS. Oh, practically 30 days; from 30 to 60 days from the time they begin harvesting.

The CHAIRMAN. You say this would have had an effect upon the prices of beet sugar as well as cane sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Why, then, would not this have encouraged the raising of beet sugar in the next crop? Beets are planted in the spring, are they not?

Mr. SPRECKELS. Yes, and harvested in the fall; but the beet factories have difficulty in securing their beets at the present time. They do not pay the farmers sufficient for their beets, and instead of raising beets they will raise beans or something else. The profit all goes to the factories instead of to the farmers.

The CHAIRMAN. Do you mean to say that with these prices of $7.30 for sugar, the beet-sugar factories have not raised the price of the beets to the farmers so as to encourage them to produce?

Mr. SPRECKELS. Not sufficiently.

The CHAIRMAN. Is there any complaint among the farmers about that?

Mr. SPRECKELS. A great deal.

The CHAIRMAN. Have you any information on that subject at first hand or therwise?

Mr. SPRECKELS. I have, in connection with a letter. You may read the answer first, taking it chronologically, if you like.

The CHAIRMAN. Yes, we will take that up in a moment. I would now like to have read the answer to the letter which was last read.

(The witness handed the chairman a letter.)

The CHAIRMAN. Is it the letter that you have handed me?

Mr. SPRECKELS. That is the answer.

The CHAIRMAN. I will read it to the committee. It is on this same letterhead [reading]:

EXHIBIT No. 18.

UNITED STATES FOOD ADMINISTRATION,
111 WALL STREET.
New York City, December 10, 1917.

C. A. SPRECKELS, Esq.,
President Federal Sugar Refining Co., 91 Wall Street, New York City.

MY DEAR MR. SPRECKELS: I have for acknowledgment your valued favor of December 7 which I shall present to the International Sugar Committee for its consideration at its next meeting. I will also send a copy of same to Mr. Hoover, who will probably write you expressing his views. I hope you will accept the following as an expression of my personal views on the subject.

I have perused the contents of your letter with very much interest indeed and fully realize that the vast experience which you have had in the purchase and sale of Cuban sugars puts you in a position to discuss the matter with intelligence. I fear, however, that your suggestions have come too late. I also believe that you are not entirely familiar with all of the transactions that have led up to the tentative agreement that has already been entered into with the representative of the Cuban Government.

Of course, it is not within my power to discuss with anyone the negotiations between our State Department and the Cuban Government on the subject matter of the proposed contract. It is needless to say that it is the earnest desire of our Government to treat a foreign friendly Government on most liberal and friendly terms.

The policy of the Food Administration, which has been expressed many times in the daily papers, is that the object of the food control is not directed toward a reduction in the cost of commodities exclusively, but that a controlled price should be established that would be not only fair to the consumer but one that shall not discourage the production of important food commodities in any of the various countries in the world whose product might be available for use in the United States and the allied countries at war with Germany.

I have spent five months now in delving into the question of what is a fair price for sugar, and while I think that 4.60 f. o. b. Cuba is fairly high, it is comparatively low compared with the selling price of other food products, such as wheat, corn, cowpeas, cotton-seed meal, cotton, and d. s. shoulders. The wholesale price of sugar in this country, based on the tentative contract with Cuba, will be from 7.25 to 7.50 per 100 pounds.

Taking the value of other products and comparing the prewar prices with the present, to ascertain what prices should prevail for raw sugar on the same ratio, the showing would be as follows:

Cotton at 25 cents per pound, sugar should be worth 11½ cents.
Cottonseed meal at $67 per ton, sugar should be worth 10 cents.
Cowpeas at $3.25 per bushel, sugar should be worth 9.04 cents.
Corn at $1.90 per bushel, sugar should be worth 12.17 cents.
Wheat at $2.20 per bushel, sugar should be worth 10 cents.

With this information before you, I think you will agree with me that the price set for sugar is comparatively low. There is no doubt that if the planters in Cuba or elsewhere were left to their own resources there would be a time during the year 1918 when, on account of shortage of ships, lack of warehouse capacity, necessity for money to finance, many planters would be compelled to sell their sugars at a price lower than that agreed to by the committee. On the other hand, I believe that it is just as much a prime duty of two governments to see that the producer is protected in the sale and distribution of his product at a fair price as it is for the same governments to see that the consumer is protected against the profiteering manufacturers and distributers.

The prewar normal price paid for Cuban sugar is 4.04, duty paid. The present contemplated price for the year 1918 is about 5.90 to 5.95—say, 6 cents—an increase of 50 per cent over the prewar normal. You will recall the conferences I had with the refiners in September at which you were present. When the question of refiner's margin was under discussion at these conferences many statements were made in regard to the increased cost of refining and reasons were given why the margin that I thought was fair at that time—namely, 1.20 net—should be increased. You will remember that all of the refiners believed

that the margin suggested was too low and recommended that it be made 1.30. You will remember that you did not approve of the 1.30 margin and wanted to make it, as I recall, 1.40. The matter was finally compromised on the basis of 1.30 net. You reluctantly consented, being, as I now recall, the last refiner to agree. The margin, as finally agreed upon between the refiners and the Food Administrator, represents an increase over the prewar normal of 55 per cent, or 5 per cent greater than the increase allowed the Cuban planter, whose increased cost of producing sugar has, if anything, been greater than that of the refiner. On the basis that you wanted to establish for the refiner's margin—namely, 1.40 net—the increase for the refiners would have been 67 per cent as against the less than 50 per cent the international committee is proposing to allow the Cubans at this time. Under these circumstances I can not reconcile your attitude in September with your attitude now toward the Cubans.

In view of the Government's interest in both producer and consumer, I think you will admit that the basis of price as established is fair. I personally am extremely pleased to know that the out-turn of Cuba promised to exceed previous record, as it will make it unnecessary for the allied countries at war with Germany to send ships to Java for sugar, which ships can ill be spared at this time from the transport service across the Atlantic.

That this country and her allies will lick Germany is not debatable, and the sooner it comes the happier I shall be. This being so, it is natural that you should desire to have provisions in the contract protecting the buyers against the day of this happy event. Rest assured that the members of the international sugar committee will not only have this in mind but also the effect of peace on the world sugar situation immediately following its declaration.

I am sorry that I can not agree with you wherein you say that no advantage will be gained in the purchase of the entire crop at this time. Believing that the price established is fair and that it will be a stable price during the year, I can look forward with confidence to next fall and not see the exhibition of greed, avarice, and high prices that have prevailed during this good year of 1917. I can also look forward to a stabilized price throughout the United States where the housewife and consumer in every little hamlet and village in the country will know what a fair price for sugar is during the entire period of the year, and that all chance of profiteering or gouging the public through any channel whatsoever will be eliminated.

You are right in stating that the purchase price for Cuban sugar establishes the basis for all domestic-produced sugar, and in my opinion it is unfortunate for many of our domestic producers that it is not higher. Do not think that I do not realize that those plantations and beet factories that are favorably located geographically and climatically will not make large profits on the prices thus established. If you will consider the average cost of production and the average conditions that the domestic producers have to contend with, you will find that the price is not only not too high, but not sufficient to encourage or stimulate production domestically in many sections. The fact that some domestic producers will make very large profits does not worry me, because Congress has arranged that half of it will revert to the Government in the form of income taxes.

I think this war should teach this country a lesson that it has never learned before. I sincerely hope and trust that in its wisdom Congress will see fit to encourage and foster in every way the production of sugar on the mainland of this country and its surrounding possessions. If our coasts were blockaded as Germany's now are by hostile fleets, the only sugar that would be available in this country to-day for its hundred million people would be that produced by our domestic beet industry, which came forward in such a splendid way and regulated its price to $7.25 for 100 pounds, seaboard refining basis, and that produced in Louisiana, the producers of which also entered into a voluntary agreement with the Government. I certainly am not in sympathy with the policy that you have advocated publicly and before Congress for so many years, because I believe that it will ruin one of our largest domestic industries and one which has been our only source of supply during the present troublesome times.

As stated above, while I appreciate very much your suggestions and ideas, I must say that they have arrived too late to be of service.

Yours, very truly,

GEO. M. ROLPH.

Senator LODGE. Mr. Chairman, may I ask a question suggested to me by the letter? He speaks there of a commission from the Cuban Government. Was there such a commission sent here?

Mr. SPRECKELS. I heard so.

Senator LODGE. And he speaks of the State Department dealing with them. Do you know who represented the State Department?

Mr. SPRECKELS. The first I have heard of it was through that letter. I have no further knowledge.

The CHAIRMAN. Did you ever hear before of the State Department undertaking to fix sugar prices?

Mr. SPRECKELS. This is the first time I have heard of it.

Senator JONES. Let me ask a question: This fixing of the price is a matter solely for agreement, is it not? No one has any legal authority to fix this price, has he?

Mr. SPRECKELS. That is what they are asking for.

Senator JONES. But they have not got it now?

Mr. SPRECKELS. Some of the refiners have given that authority.

Senator JONES. But, I mean, there is no law authorizing any official to fix this price, is there?

Mr. SPRECKELS. I do not know of any law, but I have been told—I protested against signing it, and I have been told by Mr. Rolph that I should not sign that contract anyhow. I do not know—I have not consulted my attorney—whether he can force me to or not.

Senator LODGE. If I may say a word there, under the licensing clause of that act they can fix the price on anything.

Senator KENYON. Indirectly. The only direct power given is to fix the price of coal.

Senator LODGE. They can compel them by withholding a license.

The CHAIRMAN. That is to say, as I understand you, Senator Lodge, we have given authority to the Government to require men engaged in certain lines of business to take out licenses. We did not give any authority to fix prices.

Senator LODGE. No.

The CHAIRMAN. But by refusing to let the man do business at all, refusing to give him a license at all, they thus are able to say to him: "You will be permitted to have a license provided you sell at certain prices."

Senator LODGE. Under the licensing clause of that act you can compel price-fixing on practically everything.

Senator KENYON. It does not touch the retailer.

The CHAIRMAN. I do not know that is a correct statement of it.

Senator LODGE. I think that is a correct statement of the law.

Mr. SPRECKELS. But can they force me to pay a certain price for my raw material to a foreign government?

Senator LODGE. They can only do it by refusing to give you a license.

Senator VARDAMAN. I understand that they can compel him to cooperate with the others or deny him a license to do business.

Senator LODGE. That is it. There is no direct price fixing, but there is an indirect power.

Senator VARDAMAN. Undoubtedly.

Mr. SPRECKELS. Only during the period of the war; but the contract that they proposed to enter into is a year's contract, and for the period of the war.

The CHAIRMAN. We are getting off the question.

Senator JONES. My question is this: On this matter of fixing the price of Cuban sugar, a uniform price, do you know of anyone having legal authority to fix that price?

The CHAIRMAN. Legal authority?

Senator JONES. Legal authority.

Mr. SPRECKELS. I do not.

Senator JONES. Then it must be done by agreement; must it not?

Mr. SPRECKELS. Apparently.

Senator JONES. And is it not important that the Cuban Government or the people representing the Cuban planters should have a voice in the fixing of that price?

Mr. SPRECKELS. I should say so, the same as the refiner who is going to pay for it should also have a voice in it, to do justice, I should say.

Senator KENYON. Is it not important there, too, that the Cuban people be reasonably well satisfied with the price?

Mr. SPRECKELS. I dare say they are; I know they are.

Senator KENYON. That is important.

Mr. SPRECKELS. I know that they are well satisfied with the price.

The CHAIRMAN. All this assumes that the right of the people to sell is to be cut off, and the right of a citizen to buy is to be cut off, and that, having reached that arbitrary condition, then the governments will have to be consulted; but as I understand this situation, Congress never gave to anybody the right to fix a price of this kind. It never gave the right to fix a price on wheat. The right has been assumed.

Senator KENYON. Congress fixed a maximum price.

The CHIRMAN. Congress fixed a guaranty of a minimum price for wheat for next year. The Government agreed that it would take next year's wheat crop at $2 a bushel. But if there is anything in the law that authorized anybody to fix a price for this year's crop of wheat or corn or sugar, I do not know where that is in the law, except there is a right given to license.

Senator KENYON. It does not apply, though, to the producer.

The CHAIRMAN. It applies to men dealing in grain—to millers.

Senator KENYON. Yes; but not to the producer.

The CHAIRMAN. No; that right exists to license and regulate, and the power to fix prices has been assumed in many things. There can be no question about that.

Senator VARDAMAN. Did not this international committee assume the right to fix the prices of foreign sugar, sugar produced in foreign countries, and limit the purchases to be made by the refiners?

Mr. SPRECKELS. Yes; they fixed the price.

Senator VARDAMAN. They fixed the price and told you that you should buy so much or not buy at all, did they not?

Mr. SPRECKELS. Well, they have not exactly put it in those words. They asked us to give them the power to contract in our name.

The CHAIRMAN. That is, for next year's crop?

Mr. SPRECKELS. For next year's crop.

Senator VARDAMAN. And you did that?

Mr. SPRECKELS. No; we did not.

Senator VARDAMAN. Well, many of them did?

Mr. SPRECKELS. Many of them did.

The CHAIRMAN. I think if we follow that we will get it cleared up. Have you had any further correspondence about this subject matter?

Mr. SPRECKELS. Only my answer to this particular letter. I think that is just opposite.

The CHAIRMAN. It is addressed to Mr. Rolph. Is that it?

Mr. SPRECKELS. Yes; that is it.

The CHAIRMAN [reading]:

EXHIBIT No. 19.

DECEMBER 11, 1917.

Mr. GEORGE M. ROLPH,
Chairman International Sugar Committee,
111 Wall Street, New York City.

DEAR SIR: Your letter of December 10 is before me. You say that my experience in the purchase of Cuban sugars puts me in a position to discuss the matter with intelligence, but that the suggestions I made in my letter to you of December 7 came too late.

I regret that you did not give me an opportunity to make my experience in these matters useful to the United States Food Administration before even tentatively committing this Nation to a price for raw sugars which I am convinced can not be justified and which if consummated must, in my opinion, put an unnecessary burden upon the American people. I am in accord with the view you express concerning our Government's desire to treat a foreign friendly government on most liberal and friendly terms. Also I approve of a policy which will encourage the production of important food commodities. But in view of an estimated increase of about 600,000 tons of this year's Cuban sugar crop over its last year's production, may we not assume that last year's prices were sufficiently high to encourage the planter of Cuba to produce what will undoubtedly be the largest crop in its entire history, and that there can not be justification for a higher price this year on the theory that it is necessary to encourage sugar production in Cuba, and surely it would be insulting to a friendly power to suggest that the fixing of so high a price by our Government is necessary to cement the friendship.

I am not familiar with the relative price increase of other food commodities, but even if your figures concerning them be correct, I must dissent from your conclusion "that therefore the price set for sugar is comparatively low." The element of cost of production and profit on capital employed is the better test of what constitutes an equitable price. Surely your familiarity with the abnormal profits made by Hawaiian, Cuban, and other raw sugar producers during last year at much lower prices than your proposed price for the coming year, makes me wonder how you justify the increase. I find it difficult to reconcile your expressed concern about encouraging the producer of sugar by higher prices for raw sugar with the apparent neglect shown the American farmer who supplies the factories with beets. I quote the published exchange of telegrams between Mr. Hoover and Mr. Woolwine as illustrating my point.

Telegram from Mr. Hoover:

"Just learned Merritt, State food commissioner, has called meeting on sugar situation to-morrow, which will be attended by parties you have invited to come to Washington, preventing them being here on 8th. We therefore desire to postpone meeting until further notice."

"LOS ANGELES, CAL., *December 3.*

"HERBERT HOOVER, *Washington, D. C.*

"Telegram December 3 received late to-day. You have been misinformed. Merritt has not notified me nor any of the men mentioned in your former telegram to participate in San Francisco conference to-morrow. This may appear amazing to you, but is in harmony with beet growers' experience Merritt's attitude.

"Many interested men, including some of those parties mentioned by you in your telegram, have purchased tickets and made all arrangements to go to Washington to attend conference suggested by you for December 8, but in deference to your wishes departure delayed.

"Respectfully urge you appoint immediate date when this urgent and important matter may be presented to you personally. Your reputation for fair

play will, in my opinion, be most important factor in reaching settlement and correcting grave injustice, and encourage growers to plant large acreage that will otherwise be abandoned.

"The beat growers can not be expected to and will not cultivate beets at a loss while the sugar refineries reap enormous, exorbitant, and unreasonable profits. It is deplorable that the sugar refiners at a time such as this may be permitted to exact fabulous profits from the consumers on the one hand, and from the beet growers on the other.

"We believe that these facts can readily be established, and all we ask for is a hearing. Settlement can likely be made in direct conference with you that can not possibly be effected by your subordinates. Situation calls for decisive and quick action, otherwise growers will refuse to plant. Merritt is aware, from my own statement to him, of voluminous testimony before grand jury, taken under State antitrust laws, where both refiners and growers testified, all of which he ignores. All previous efforts of beet growers to secure action by Merritt have been without result. The grand jury unanimously concurs in my action and urge a hearing be secured before you if possible, and that all testimony and proceedings before that body be presented to you. Request that you appoint immediate date for conference.

"THOMAS LEE WOOLWINE,
"*District Attorney for Los Angeles County.*"

The prewar normal price paid for Cuban sugar was about 2.50 cents f. o. b., and in paying them 4.60 cents you are paying an advance of about 80 per cent, and not 50 per cent over the prewar normal, as stated by you. Such an increase would amount to about $40,000,000 during the coming year, and that burden would fall upon the American sugar consumer.

It is because I desire my Government be strengthened and victorious in the conflict for justice and democracy that I so strongly urge justice and democratic cooperation in our domestic affairs, and protection for our people against profiteering and unnecessarily high prices.

As I informed you in my letter of December 7, it would be to my financial advantage to have you fix the price of Cuban sugar at 4.60 cents, because I have interests in Cuban plantations. But I would consider it unpatriotic and un-American to let my selfish advantage influence my attitude in times like these, when any increase in the cost of living brings added suffering to our people and may result in a widespread discontent, which would make our Government's task more difficult.

Very truly, yours,

(During the reading of the foregoing letter:)

The CHAIRMAN. Who was Merritt, referred to in this telegram?

Mr. SPRECKELS. As I understand, he is the national food administrator for California. I am not certain about that, but that is what I understand.

(After the conclusion of the foregoing letter:)

The CHAIRMAN. Is there any further correspondence on this matter, Mr. Spreckels?

Mr. LINDLEY. Mr. Chairman, availing myself of the privilege granted, there is a certain matter which is a question of law rather than of fact which might not come out in the evidence. I think there is some misapprehension in the minds of some of the Senators as to the operation of this bill on the price-fixing business, and the power that is given by Congress, and I should like to make just a short statement in reference to the operation of the thing in the hands of the Food Administration.

We have no control whatever over the commission. Every price that has been fixed in this country for beet sugar and cane sugar has been through the beet-sugar-producing communities themselves. They have been called to Washington and the matter has been taken up and discussed with the food administrator. He has suggested to

them what he thought would be a fair price to the producer, considering all the conditions under which, for instance, the beet was produced in the different sections of the United States. There is a difference in the cost of production in different places. In the case of the price for cane sugar the Louisiana planters came here, and the beet-sugar people came here, and they all agreed upon the price.

Now, logically, that same method was pursued with reference to the producers of Cuban sugars. We can not fix the price of Cuban sugar without consulting the Cuban planter. There was an element there that did not exist in the domestic production, of the necessity of diplomatic arrangements between the two governments, for reasons which I do not think it is advisable to make public. They are governmental matters.

We have no control over the price, except we may regulate the profits of such men as are within the license privilege. In the case of the wholesalers, we may determine what their percentage of profit should be after they have received the sugar, and any other higher profit would be an improper practice for which their license may be taken away. We can not refuse a man a license under any circumstances, and never have. Those licenses are issued; and if the rules and regulations are not complied with as to the amount of profit that the wholesaler may charge, his license may be revoked.

The CHAIRMAN. Judge Lindley, I thought you were going to make some suggestion that would throw light upon this matter, or would enable us to ask the witness some questions. You are making an argument——

Mr. LINDLEY. No; I am simply stating the provisions of the bill.

The CHAIRMAN (continuing.) The correctness of which at almost every point, with all due respect, I would have to controvert.

Mr. LINDLEY. I am speaking of the practical operation.

The CHAIRMAN. We will permit you at any proper time to take the stand, Judge.

Mr. LINDLEY. I would not want to swear to the truth of the law. I can simply tell you what my impression is.

The CHAIRMAN. Your impression as to the law is all right, but you have been talking about the practical operation of it.

Mr. LINDLEY. Excuse the interruption.

The CHAIRMAN. Certainly.

Mr. LINDLEY. I thought that I might at least set Senator Vardaman straight when he said we had the absolute power to fix the price. We have not, and have never attempted to exercise it.

The CHAIRMAN. You never have attempted to exercise it?

Mr. LINDLEY. Not that I know of.

The CHAIRMAN. Since you make that statement I will ask you if you are prepared to say that citizens have not been repeatedly told that if they did not pursue a certain course they could not have cars and they could not have facilities for business?

Mr. LINDLEY. On the question of priorities, priority shipments?

The CHAIRMAN. Not merely priorities.

Mr. LINDLEY. That is to say that if they did not pay a certain price for goods——

The CHAIRMAN. If they did not conform to certain orders and rules and regulations.

Mr. LINDLEY. I do not think you will find any prices fixed by order of the Food Administration.

Senator VARDAMAN. I should like to ask the judge a question.

Mr. LINDLEY. Pardon the interruption, gentlemen. I thought I was going to shed some light on the legal phases of the matter.

Senator KENYON. Evidently you made them worse.

The CHAIRMAN. As far as the law is concerned I am sure we would be very glad to have that.

Senator VARDAMAN. Under this law is it not the right of the food administrator to deny to that refinery a license to conduct its business if he sees fit?

Mr. LINDLEY. In the first instance? No, sir.

Senator VARDAMAN. If, for instance, he is ordered not to buy any sugar from Cuba, if the other sugar refineries enter into an agreement that they will permit the international commission to buy the sugar, and he declines to do it, and the food commissioner should hold that he is interfering with the enforcement of the law, defeating its purposes, you do not deny that they could refuse him a license to conduct his business, do you?

Mr. LINDLEY. They could not, because unless he is a party to an agreement he is not bound by it, and this whole thing is the subject of agreement.

The CHAIRMAN. No coercion has been resorted to?

Mr. LINDLEY. No coercion?

The CHAIRMAN. Yes.

Mr. LINDLEY. I do not know what you mean by the word "coercion."

The CHAIRMAN. Well, Judge, you are a pretty good lawyer.

Mr. LINDLEY. As applied, there may be a misunderstanding or a misinterpretation or a misapplication of the term. There are certain people in this world who are not disposed to be wholly unselfish, and a certain amount of inducement has to be given to make them obey the law.

The CHAIRMAN. What kind of inducement, for instance?

Mr. LINDLEY. In the first place, we generally start out with an appeal to the man's patriotism. When we find a man is charging 25 per cent above what his neighbors are charging for a commodity which is as necessary as sugar, he is entitled to be coerced, and that is the only kind of man that is coerced.

The CHAIRMAN. And the man that judges as to whether he is entitled to be coerced is some individual?

Mr. LINDLEY. Well, I can not conceive of the power of a food controller being of any value whatever unless he has that power.

The CHAIRMAN. Yes, sir. Very well. Since we have the admission that coercion is proper, I presume it will be asserted——

Mr. LINDLEY. I do not say it is coercion. It is the administrative exercise of a law given to the Food Commission by Congress and attempted to be exercised in the highest possible spirit.

Senator LODGE. That is a matter of opinion. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Senator LODGE. You spoke about the State Department and the diplomatic arrangements with Cuba. Who represented the State De-

partment in these talks or conferences with President Menocal's commission?

Mr. LINDLEY. I will ask Mr. Hoover to give you that information, Senator Lodge, privately, for the use of the committee.

Senator LODGE. Mr. Rolph did not deal with them, by any chance, did he?

Mr. LINDLEY. I am not sure whether Mr. Rolph personally dealt with them or not. How is that, Mr. Rolph?

Mr. ROLPH. I had several interviews with the State Department.

Senator LODGE. As a representative of the State Department?

Mr. LINDLEY. He has had several interviews with representatives of the State Department.

Senator LODGE. But none with the Cuban commission?

Mr. LINDLEY. Yes; with the Cuban minister—I can say that, because I know the circumstances—and with the Cuban planters. As to the Cuban commission I do not not know; I was not here in Washington when that took place. It was taken up with the Cuban minister. The Cuban minister himself intervened and demanded a higher price than was ultimately granted. He did not demand it: he asked it.

Senator LODGE. Then Mr. Rolph was the representative of the State Department?

Mr. LINDLEY. No, sir. He is the head of the sugar department of the Food Administration.

Senator LODGE. I am aware of that. I meant, was not he the representative in that particular matter of the State Department?

Mr. LINDLEY. No, sir; except as he followed the request that came from the executive, the State Department. He was not pretending to act as a representative of the State Department.

The CHAIRMAN. Mr. Spreckels, did you feel at liberty, when you were called here to Washington, to decline to agree to allow all your sugar to be purchased through this international committee?

Mr. SPRECKELS. I felt that if I did not sign the contract the license would be taken away.

The CHAIRMAN. Since you have declined to sign this contract binding yourself to take the Cuban sugar crop, such portion as is allotted to you, at any price, have you had any conversation with any of these gentlemen about that?

Mr. SPRECKELS. Yes; I had a talk with Mr. Rolph. I told him that I thought it was manifestly unfair to ask us to enter into a contract the contents of which we did not know. We did not know the terms, the conditions, how the sugar was to come here, and I did not feel that it was right to ask me to obligate my company to the extent of $50,000,000 which might be suddenly thrown onto us and for us to pay for it, with the financial conditions in this country as they are I did not think it was fair. His answer to that was that if we did not sign the power, "Well," he said, "you will sign the contract." I took it as a veiled threat—not threatening, but as a veiled threat. I have not signed the contract. I do not know what the contract is. They did not tell me what the contract is going to be, and I have no knowledge.

Senator JONES. Have you not agreed that you would not buy any of that sugar except through this commission?

Mr. SPRECKELS. Yes, sir. I have agreed to do that—that they should arrange, not to buy, but arrange for the purchase of it.

Senator JONES. Had any of the 1918 crop been contracted for before you entered into that agreement?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. The point, Senator Jones, is this, I think, and I do not believe it has been made plain to you, or else perhaps I do not understand it; but I understand that the contract which Mr. Spreckels was asked to sign, and which is this little authority here——

Senator JONES. I remember that, but I was referring to the previous contract there.

Mr. SPRECKELS. The so-called agreement, Senator—I think that is what you have reference to.

Senator JONES. Yes; that is what I had reference to.

Mr. SPRECKELS. That is it, there.

Senator KENYON. I call your attention, Senator, to clause 1.

Senator JONES. I will read clause 1 [reading]:

> The United States Food Administrator agrees that the said International Sugar Committee shall arrange for the purchase of raw sugar from the West Indies and such other import sources as are available, for the purpose of supplying and apportioning the requirements of the United States and of the other nations at war with Germany.

The CHAIRMAN: Then you agreed to purchase only through that source. Is it not necessary that there be some arrangement made for the purchase of this Cuban supply of sugar in order to prevent its going to sources to which this Government does not desire to have it go?

Mr. SPRECKELS. I think not.

Senator JONES. You think not.

Mr. SPRECKELS. I think not.

The CHAIRMAN. Why?

Mr. SPRECKELS. I do not think it is necessary for us to enter into a contract. They can arrange for the purchase.

Senator JONES. How?

Mr. SPRECKELS. As every refiner in the United States does, themselves included—those members of the board. They do not contract for a whole year's supply.

Senator JONES. Whatever arrangement is made must be one which is satisfactory to the Cuban planters; must it not be?

Mr. SPRECKELS. It must be mutually satisfactory, or otherwise they would not enter into a contract.

Senator JONES. Now then, is it not advisable to tie up the whole Cuban crop in some way?

Mr. SPRECKELS Not in my judgment.

Senator JONES. Not in your judgment? Why not?

Mr. SPRECKELS. I do not know how long the war is going to last, and we are fixing a price for a whole year. If the war suddenly terminates we are a free lance. The act itself only provides that it is during the time of the war, the period of war; but they are extending beyond that period. I do not know; the war may last one year or it may last one month. I do not know.

Senator JONES. Do you think it practicable to control the supply of the Cuban sugar without contracting for or making some arrangement regarding the entire crop?

Mr. SPRECKELS. I do not think it is advisable, decidedly.

Senator JONES. Do you think it practicable to control the entire crop without making some such arrangement?

Mr. SPRECKELS. I do.

Senator JONES. Have you discussed that matter with the Cuban planters?

Mr. SPRECKELS. No.

Senator JONES. What makes you think, then, that it is practicable?

Mr. SPRECKELS. Because where they have an enormous crop, Cuba is right at our doors; the Cuban planter can not store his whole crop.

Senator JONES. He can not store it all; that is quite true.

Mr. SPRECKELS. And he must send it somewhere.

Senator JONES. Yes.

Mr. SPRECKELS. Now, where are they going to send it to?

Senator JONES. I should like to have you answer your own inquiry if you can.

Mr. SPRECKELS. Very well. The answer to that is that England has reduced its consumption down to 900,000 tons.

Senator JONES. But would not England like to get more?

Mr. SPRECKELS. No. They have not the ships available to carry it, and the length of the voyage is too great. We are right immediately at the doors, and it is natural for them to ship it to the United States.

Senator JONES. What was the purpose, then, in trying to control last year's crop, if natural conditions would do it?

Mr. SPRECKELS. They did not control it. There was no effort made to control last year's crop.

Senator JONES. I thought there was an effort made by fixing the prices.

Mr. SPRECKELS. Last year's crop?

Senator JONES. I mean, this year's crop—the 1917 crop.

Mr. SPRECKELS. Only since October of this year.

Senator JONES. What was the purpose in doing that?

Mr. SPRECKELS. I shall have to ask you to refer to Mr. Hoover for an answer to that question, what his purpose was.

Senator JONES. You do not think it was necessary?

Mr. SPRECKELS. I did not think it was necessary.

Senator KENYON. Was there not competitive buying for the sugar of Cuba, and would there not have been competitive buying among the allies?

Mr. SPRECKELS. They fixed the price without obtaining the sugar; and a price without sugar I do not think is of any value to the consumer or to the refiner.

Senator JONES. Did not this country get the sugar?

Mr. SPRECKELS. No. They got some. They did not get it all.

Senator JONES. How much?

Mr. SPRECKELS. A very limited amount; less than half the amount that was available.

Senator JONES. Who got the rest?

Mr. SPRECKELS. It went in different directions.

Senator JONES. What are those different directions?

Mr. SPRECKELS. I could not tell you where it went to.

Senator KENYON. Did not England and France get a quantity of it?

Mr. SPRECKELS. They got some of it. I believe Spain got some.
The CHAIRMAN. You spoke of Mexico the other night.
Mr. SPRECKELS. I think some went to Mexico.
Senator JONES. Then if we had made arrangements to control the entire supply we would have been better off, would we not?
Mr. SPRECKELS. Do you mean since October?
Senator JONES. Yes; since October.
Mr. SPRECKELS. I do not know exactly what you mean by "control."
Senator JONES. I mean, get control of it through contract.
Mr. SPRECKELS. I wanted to get control, to buy it in the open market and pay the price for it.
Senator JONES. You also wanted to disturb the entire sugar market, did you not?
Mr. SPRECKELS. No: I did not.
Senator JONES. Would not that have been the effect?
Mr. SPRECKELS. On the contrary, if you will read my telegram, I explicitly stated that the price of our refined sugar should not be advanced.
Senator JONES. I know you did; but, at the same time, would not the effect of that have been to disturb the sugar price generally?
Mr. SPRECKELS. I think not.
Senator JONES. Why not?
Mr. SPRECKELS. Because we were willing to take all that was remaining there and refine it to full capacity. Instead of having our works lying idle, we would have taken that and refined it regardless of a profit.
Senator JONES. Would not that have had the effect of increasing the price of larger supplies of sugar than that small amount remaining in Cuba?
Mr. SPECKELS. No.
Senator JONES. Why not?
Mr. SPRECKELS. Where are the larger supplies? In Java? It would not affect that price.
Senator JONES. Well, I mean from——
Mr. SPRECKLES. From where?
Senator JONES. From Honolulu, for instance.
Mr. SPRECKELS. Oh, yes; Honolulu—it might affect the price of Mr. Rolph's refinery, which was receiving sugar, and he would have to pay; but still he would get his sugars 25 cents a hundred pounds less than what I would be paying. If he wanted to make an additional profit and be less patriotic than we were, he would advance his price; but if he would do what we were willing to do and refine those sugars and pay the different price, he had already an advantage of 25 cents a hundred; he could have done it.
Sentaor JONES. Mr. Spreckels, it appears in one of the letters here written to you, and I have not heard your admission or denial of the fact, that you insisted that there should be a differential of $1.40 per hundred.
Mr. SPRECKELS. Yes, sir.
Senator JONES. Instead of $1.30.
Mr. SPRECKELS. Yes, sir. May I explain that?
Senator JONES. Yes.

Senator KENYON. Before you do that, was that a fixed deferential?

Mr. SPRECKELS. No, sir.

Senator KENYON. Or a maximum differential?

Mr. SPRECKELS. That was a maximum that we would be allowed: and as no price had been fixed excepting on granulated sugar, I felt that a maximum of $1.40—not necessarily a minimum, because we had no guarantee whatever that we would have a differential of $1.40 a hundred, but a maximum—I wanted the maximum established so that we could at least cope with our competitors who were selling a lower product for a greater price.

Senator JONES. Did you sell any for less than the maximum?

Mr. SPRECKELS. No, sir. We had none. We had no sugar. When I say "no sugar" I mean practically none. We closed down.

Senator VARDAMAN. While you are on that point, will you explain to the committee what special advantage to the refiners the fixing of this high price would be?

Mr. SPRECKELS. There is no advantage.

Senator VARDAMAN. No advantage to the refiners at all?

Mr. SPRECKELS. On the contrary, there is a disadvantage. We are obligating ourselves——

Senator VARDAMAN. Then the refiner, in fixing this high price of Cuban sugar, was not to secure any advantage at all, any additional profit?

Mr. SPRECKELS. For the refiners? None.

The CHAIRMAN. But you have already stated that there would be an effect, now, upon the price of beet sugar and upon the price of cane sugar in this country. That is, if you make a contract at a high price for Cuba next year, that price would affect all of the product in this country?

Mr. SPRECKELS. It would.

The CHAIRMAN. Who owns the beet sugar factories of this country?

Mr. SPRECKELS. The American Sugar Refining Co. has large investments in beet sugar factories.

Senator VARDAMAN. Then, Mr. Spreckels, the fixing of this high price brought no excess profits at all to the men who refined the sugar?

Mr. SPRECKELS. The producer and certain refiners would have an advantage, because they are interested in the beet sugar, and it fixes definitely the price.

Senator VARDAMAN. How would the fixing of the price of Cuban sugar operate? Would that add to the interest or the income—the dividends—of the refiners?

Mr. SPRECKELS. No, sir; not directly.

Senator VARDAMAN. What interest would these men have had who are forming a trust in raising the price of sugar to the consumers of America?

Mr. SPRECKELS. As a refiner, they would have no advantage, but as a producer they would have a decided advantage.

Senator VARDAMAN. Do the refiners of this country own the sugar plantations in Cuba?

Mr. SPRECKELS. No; they own the beet factories, and also the factories in Hawaii.

Senator VARDAMAN. Does not raising the price on Cuban sugar reduce the profits that they would receive on Hawaiian sugar, causing them to pay more for Hawaiian sugar?

Mr. SPRECKELS. They go up automatically.

Senator LODGE. They go up automatically with the Cuban sugar. The basic price is the Cuban sugar imported.

Senator VARDAMAN. I can understand that, but I want to find out what interest the refiners had in raising the price of sugar to the consumer if they themselves did not make any profit out of it, if they did not enhance their profits. That is the point that I should like to bring out.

Senator LODGE. So far as they own factories or plantations in Hawaii, that is where they would benefit; not in the refining.

Mr. SPRECKELS. Not in the refining.

The CHAIRMAN. In order to clear up this matter of contracting: Mr. Spreckels, is it necessary at all to contract in order to get these sugars—to contract in advance?

Mr. SPRECKELS. In my opinion, no.

The CHAIRMAN. If it is necessary to contract to get the Cuban sugar, why is it not equally necessary to contract for Porto Rican and Philippine sugars?

Mr. SPRECKELS. I should say that if it be necessary to contract for one it would be necessary to contract for the other, but in my judgment I do not think it would be necessary to contract for either or any of them.

The CHAIRMAN. Do you know in what proportion of the beet sugar manufactories what we have called the trust is heavily interested? I do not mean in numbers, but in capacity and output.

Mr. SPRECKELS. I can not say definitely as to that. You would have to get information as to that from other people. My opinion at best would be only a guess.

The CHAIRMAN. Can you tell me what the cost of beet sugar production was to the beet sugar factories last year?

Mr. SPRECKELS. I have before me the annual report of the American Beet Sugar Co. for the year ended March 31, 1917. It reports the factory cost as $3.33 per 100 pounds. In 1916, the year previous, it was $3.10. The cost has gone up 23 cents per 100 pounds.

The CHAIRMAN. If the cost for the Cuban sugar crop which is now being harvested is fixed so that the wholesale price here would be $7.25, and the beet-sugar prices went up correspondingly, how much profit would that leave the beet-sugar gentlemen?

Mr. SPRECKELS. Somewhere about $60,000,000—about $62,000,000.

Senator JONES. I wish you would give the basis of your calculation—that is, the price per pound, the number of pounds, etc.

Mr. SPRECKELS. I deduct the prices stated in their balance sheet here, $3.33, from $7.25. That would leave a profit of $3.92 per hundred pounds, or, to be exact. $78.40 per ton of sugar profit. Assuming that there were 800,000 short tons, that would be $62,720,000.

Senator KENYON. On the basis of $7.90?

Mr. SPRECKELS. On the basis of $7.25. I forgot to take off that 2 per cent. Two per cent should be taken off of that.

The CHAIRMAN. Why should the 2 per cent be taken off?

Mr. SPRECKELS. For the cash discount. The price was fixed at $7.25 a hundred less 2 per cent.

The CHAIRMAN. For cash.

Mr. SPRECKELS. That would leave $61,500,000.

The CHAIRMAN. And yet, with that enormous profit, the farmers are clamoring about the prices they are getting for their beets?

Mr. SPRECKELS. They are.

The CHAIRMAN. Has there been any regulation, so far as you know, to protect the beet-producing farmer and see that he gets a good price for his beets?

Mr. SPRECKELS. Not that I know of. I understand from this exchange of telegrams that there has not been.

The CHAIRMAN. That is, the telegrams referred to in your letter?

Mr. SPRECKELS. Referred to in the letter.

Senator VARDAMAN. You have not heard that they had given them an increased price for beets of 10 cents?

Mr. SPRECKELS. What do you mean—10 cents per ton of beets.

Senator VARDAMAN. In the last few days.

Mr. SPRECKELS. Per ton of beets? No; I heard that they had raised——

Senator VARDAMAN. It is suggested that it is $7.35 now, instead of $7.25.

Mr. SPRECKELS. Instead of $7.25, they have raised the price to $7.35. I had forgotten that. They did that recently. In other words, the beet factories would make just 10 cents a hundred more—$2 a ton. That would be $1,600,000 in addition to this amount.

The CHAIRMAN. Is that the price of sugar that has been raised, or of beets?

Mr. SPRECKELS. As I understand, by mutual agreement the beet factories fixed the price arbitrarily at $7.25.

The CHAIRMAN. For sugar or beets?

Mr. SPRECKELS. For sugar; and they have changed that now to $7.35.

The CHAIRMAN. But have you heard of anybody putting up the price of beets, the thing the farmer produces?

Mr. SPRECKELS. I have not. I have a statement, as given out by Willett & Gray, as to the prices that they pay abroad for beets, if that is of interest. You can check it up with this country later.

The CHAIRMAN. Very well; just let us have it. Willett & Gray are the statisticians?

Mr. SPRECKELS. They are the statisticians.

The CHAIRMAN (reading):

EXHIBIT No. 20.

SEPTEMBER 4, 1917.

LATEST PRICES FOR BEET ROOTS.

Holland: 25 to 26 florins ($10.05 to $10.45) per ton, basis 14 per cent.

France: 55 francs ($10.62) per ton, minimum price. (Increase 60 centimes for every $\frac{1}{10}$ degree above 7.5 degrees.

Russia: 6 rubles per berkowetz (about $19 per ton). Still later advices say that owing to heavy increases in cost of labor, etc., the price will be fixed in correspondence to real cost of production and treatment.

Belgium: 60 francs ($11.58) per ton against 45 francs ($8.70) last year.

Spain: 50 pesetas ($9.65) per ton delivered to buyers factory f. o. b. basis of 12 per cent.

Germany: M 2.50 for 50 kilograms ($12.08 per ton).

Austria: Latest advices are to the effect that prices have advanced 3.50 krone per 100 kilograms for 1917–18 compared with normal prices. Normal price 2.10 krone before war. 5.60 krone=$11.55 per ton.

The CHAIRMAN. I read to you from Poor's Manual of Industrials for 1917 this statement on the question of the holdings of the American Sugar Refining Co. in beet sugar [reading]:

The American Sugar Refining Co. is interested in the following beet-sugar companies: Alameda Sugar Co. (California), Great Western Sugar Co. (Colorado), Michigan Sugar Co. (Michigan); Spreckels Sugar Co. (California), Iowa Sugar Co. (Iowa), and Continental Sugar Co. (Ohio). Of the 83 factories in the United States which produce sugar from beets, with an estimated aggregate daily capacity of 73,000 tons of beets and a period of operation from 75 to 100 days each year, the American Sugar Refining Co. is interested in 26 factories belonging to the above-named companies, with a daily slicing capacity of about 31,000 tons. During 1914 the company disposed of its entire holdings in the Utah-Idaho Sugar Co., the Amalgamated Sugar Co., and the Lewiston Sugar Co., and in 1916 of the Menominee River Sugar Co. (Michigan).

GOVERNMENT AND OTHER SUITS.

Government suit.—On November 28, 1910, the United States Government entered a suit in equity seeking the dissolution of the company for alleged violation of the Sherman antitrust law. In a circular sent to stockholders under date of January 15, 1914, the company outlining its position with regard to the suit said:

"After practically three years the Government has finished taking its testimony. The evidence shows no monopoly at present existing, no restraint of trade, and no act, direct or indirect, in violation of law by the present management of the company. With a feeling that every effort should be made to terminate the expensive litigation the company did make an effort to adust its differences with the Government. These advances having been declined the company proposes to defend the interests of its shareholders with confidence and vigor."

On October 13, 1914, counsel for the Government and the company entered into a stipulation closing the taking of testimony. It is understood that argument of the case will be had after the United States Supreme Court decides the Harvester case, whichi s to be reargued before that court.

Suits by Louisiana planters.—Counsel for the company on July 18, 1914, filed exceptions in the United States district court at New Orleans to about 200 antitrust suits instituted by planters and sugar manufacturers of Louisiana against the so-called Sugar Trust. The plaintiffs demand payment of an aggregate of more than $150,000,000 in damages for alleged violations of Sherman law. In April, 1917, these suits were settled, the sugar company agreeing to pay the planters between $600,000 and $700,000.

State of Louisiana suits.—On September 10, 1914, suit to oust company from Louisiana was brought in the State civil district court at New Orleans in the name of the State, and on October 27, 1914, the State filed a supplementary bill asking for an injunction to prevent the company from doing business in the State and also the appointment of a receiver. The action was brought at the instigation of Gov. Hall. The civil court at New Orleans, on December 7, 1914, dismissed the suit. On May 26, 1915, the State supreme court affirmed the lower court, on ground that the constitutional convention of 1913 was without authority to authorize the filing of the suit. Subsequently, however, the State brought a second ouster suit, which is pending in the State courts.

The CHAIRMAN. Then there is some more of that. I do not care to put it into the record, unless somebody wants it. I had not read it, myself.

Mr. LINDLEY. Mr. Chairman, I think the decision of the Supreme Court of the United States in that controversy between the Louisiana planters and the sugar refiners ought to be stated in that connection.

The CHAIRMAN. I am just reading what is in this book. Is there something further?

Mr. LINDLEY. I do not know the edition of that book, but I do know that the Supreme Court of the United States held all that legislation in Louisiana to be unconstitutional.

The CHAIRMAN. This is the latest edition, 1917.

Mr. LINDLEY. I think you will find it there.

The CHAIRMAN. You say the Supreme Court of the United States declared the legislation in Louisiana to be unconstitutional?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Well, of course that would not be very pertinent.

Mr. SPRECKELS. The suits were brought under the State laws to forfeit their charter and prevent them from doing business.

The CHAIRMAN. Mr. Spreckels, have you signed yet that contract or authority to bind you for such portion of the Cuban sugar crop as may be allotted to you?

Mr. SPRECKELS. I have not.

The CHAIRMAN. Did you have any conversation with Mr. Rolph or with anybody else about what would happen if you did not sign it?

Mr. SPRECKELS. None. He only suggested that if I did not sign it I would sign the contract.

The CHAIRMAN. If you did not sign what?

Mr. SPRECKELS. The power.

The CHAIRMAN. If you did not sign the power, you would sign the contract?

Mr. SPRECKELS. I would sign the contract.

Senator JONES. What contract?

Mr. SPRECKELS. That they proposed to make with the Cuban planters.

Senator JONES. He said you would sign it?

Mr. SPRECKELS. Yes; if I did not sign that, he said, I would sign the contract.

The CHAIRMAN. If you did not sign the authority, you would sign the contract?

Mr. SPRECKELS. I would sign the contract. I accepted that, frankly, as a sort of a veiled threat. However, not knowing where I stood I thought I would stand still for a while, and I have not signed anything.

The CHAIRMAN. The question has been raised here of whether there was any power of coercion—that is, if it was exercised—a power to make you do what they pleased. I read section 5 of this act [reading]:

SEC. 5. That, from time to time, whenever the President shall find it essential to license the importation, manufacture, storage, mining, or distribution of any necessaries, in order to carry into effect any of the purposes of this act, and shall publicly so announce, no person shall, after a date fixed in the announcement, engage in or carry on any such business specified, in the announcement of importation, manufacture, storage, mining, or distribution of any necessaries as set forth in such announcement, unless he shall secure and hold a license issued pursuant to this section. The President is authorized to issue such licenses and to prescribe regulations for the issuance of licenses and requirements for systems of accounts and auditing of accounts to be kept by licensees, submission of reports by them, with or without oath or affirmation, and the entry and inspection by the President's duly authorized agents of the places of business of licensees. Whenever the President shall find that any storage charge, com-

mission, profit, or practice of any licensee is unjust, or unreasonable, or discriminatory and unfair, or wasteful, and shall order such licensee, within a reasonable time fixed in the order, to discontinue the same, unless such order, which shall recite the facts found, is revoked or suspended, such licensee shall, within the time prescribed in the order, discontinue such unjust, unreasonable, discriminatory and unfair storage charge, commission, profit, or practice. The President may, in lieu of any such unjust, unreasonable, discriminatory, and unfair storage charge, commission, profit, or practice, find what is a just, reasonable, nondiscriminatory and fair storage charge, commission, profit, or practice, and in any proceeding brought in any court such order of the President shall be prima facie evidence. Any person who, without a license issued pursuant to this section, or whose license shall have been revoked, knowingly engages in or carries on any business for which a license is required under this section, or willfully fails or refuses to discontinue any unjust, unreasonable, discriminatory, and unfair storage charge, commission, profit, or practice, in accordance with the requirement of an order issued under this section, or any regulation prescribed under this section, shall, upon conviction thereof, be punished by a fine not exceeding $5,000, or by imprisonment for not more than two years, or both: *Provided*, That this section shall not apply to any farmer, gardener, cooperative association of farmers or gardeners, including live-stock farmers, or other persons with respect to the products of any farm, garden, or other land owned, leased, or cultivated by him, nor to any retailer with respect to the retail business actually conducted by him, nor to any common carrier, nor shall anything in this section be construed to authorize the fixing or imposition of a duty or tax upon any article imported into or exported from the United States, or any State, Territory, or the District of Columbia; *Provided further*, That for the purposes of this act a retailer shall be deemed to be a person, copartnership, firm, corporation, or association not engaged in the wholesale business whose gross sales do not exceed $100,000 per annum.

The CHAIRMAN. Was your company, under the terms of this act, required to take out a license?

Mr. SPRECKELS. We were.

The CHAIRMAN. And about when was that?

Mr. SPRECKELS. Shortly after we signed the agreement with the Food Administrator. We have a license to manufacture, but we have as yet no license to sell; yet we have been selling. In the application I inserted the words "and sell," "manufacture and sell," and the license itself which came back says that we have the right to manufacture.

Senator JONES. Have you any license to import?

Mr. SPRECKELS. No; I do not think it covers that.

Senator JONES. I thought it did.

Senator VARDAMAN. Yes; it does.

Senator LODGE. The law gives a license to import.

Mr. SPRECKELS. To import—yes, I think so. I think it covers import and manufacture. It does not give us a license to sell.

Senator VARDAMAN. As I remember your testimony, Mr. Spreckels, you have not imported any?

Mr. SPRECKELS. We have not.

Senator VARDAMAN. Except under the terms of this agreement that you entered into.

Mr. SPRECKELS. That is all.

Senator VARDAMAN. You were prohibited from importing. I understood you to say yesterday that you asked permission to do it. You wanted to pay more for it in order that you might keep your mill running.

Mr. SPRECKELS. Quite right.

Senator JONES. Of that which was imported, what percentage did you get?

Mr. SPRECKELS. I could not say offhand. I could not tell you. The amount, all told, was negligible, and I could not tell you what proportion it was. I think we got approximately our percentage.

Senator JONES. Did you not get more than your percentage?

Mr. SPRECKELS. I do not think so.

The CHAIRMAN. You say it was negligible?

Mr. SPRECKELS. Yes, sir; a small amount, a negligible amount.

The CHAIRMAN. Did you have any sugar at one time under agreement to be sent to France?

Mr. SPRECKELS. We had.

The CHAIRMAN. Tell us about that controversy.

Mr. SPRECKELS. We still have sugar destined for France undelivered. France buys its sugar through the Royal British Commission, and the statement was published by the Food Administrator that 26,000 tons of the sugar which was still unshipped by the various refiners, including the American Sugar Refining Co., the Warner Sugar Refining Co., and I do not know who else is concerned, had been released.

The CHAIRMAN. Have you that statement?

Mr. SPRECKELS. No; but I have statements bearing on the subject. We contract with the British Royal Commission. We had a balance still undelivered.

The CHAIRMAN. When was this that you made this contract?

Mr. SPRECKELS. In November.

The CHAIRMAN. Of this year?

Mr. SPRECKELS. Of this year. We still have some that I believe we will ship within the next few days.

The CHAIRMAN. But when was it that you made the contract with the British Royal Commission for France?

Mr. SPRECKELS. I could not give you that date.

The CHAIRMAN. Can you approximate it?

Mr. SPRECKELS. There is a gentleman here who can.

Mr. LOWRY. July or August.

The CHAIRMAN. Now, you had a contract?

Mr. SPRECKELS. We had a contract, and they took part of the delivery and went on.

The CHAIRMAN. Who took part of the contract?

Mr. SPRECKELS. The British Royal Commission—sugar that was destined for France. Owing to the scarcity of sugar in this market, Mr. Rolph suggested that we cancel those contracts. I said I would not cancel a contract unless I had authority from the British Royal Commission or a request from them. I would gladly do it for two reasons: First, it was to our financial interest; and, second, to relieve the situation in this market; but in order to cancel it I should have authority from the British Commission.

Mr. Rolph suggested that Sir Joseph White-Todd, a member of the international committee, was also a member of the British Royal Commission, and I had better go and see him. I did so. Mr. Warner happened to be present with his sales manager, together with Mr. Lowry, our sales manager; and the four of us went to see Sir Joseph White-Todd.

We were ushered into his room, and Mr. Rolph entered the committee room and asked our indulgence for a few moments; that Sir Joseph would be with us presently. After waiting some little time.

Sir Joseph came in. Bidding us good day, walking to his table, he picked up a paper and proceeded back to the committee room. Mr. Warner remarked: "Sir Joseph, we have come here to ask you a question." Sir Joseph said: "I know; we are taking it up now. I will be with you a little later."

After waiting some 10 or 15 minutes, Mr. Rolph and Mr. Babst came back instead of Sir Joseph, Mr. Babst taking care to close the door behind him, and proceeded to address us, saying——

Senator LODGE. May I ask what Mr. Babson it was?

Mr. SPRECKELS. Mr. Babst, president of the American Sugar Refining Co.

Senator LODGE. Oh, Mr. Babst! I misunderstood you.

Mr. SPRECKELS. Mr. Babst and Mr. Rolph came back. Mr. Babst addressed us, and said that unfortunately the Food Administration had given out a statement that 26,000 tons of sugar in part destined for France had been released for this market; that the French Government, seeing that statement, protested and wanted their sugar, as they were urgently in need of those sugars. Mr. Babst said: "With a view of assisting the Food Administrator, I again reviewed the contracts," and, finding that they had not lifted the sugars at the time that they had been contracted for, they had canceled those contracts.

The CHAIRMAN. Do you mean "forfeited," or "canceled?"

Mr. SPRECKELS. Canceled them, declined to live up to the contracts.

The CHAIRMAN. You say "lifted" the sugars. What do you mean by that?

Mr. SPRECKELS. I mean taking the sugar, providing a vessel to take delivery of those sugars—taking delivery of them.

Turning to Mr. Rolph, he said: "Now, Mr. Rolph, will you proceed?" Mr. Rolph then told us: "You have heard, gentlemen, what Mr. Babst has said, and I see no reason why you should not do likewise and cancel your contracts." My reply to him was that, as far as the Federal Sugar Refining Co. was concerned, we would not take advantage of any technicality; we still adhered to our position that we would deliver those sugars, although it was to our financial interest to cancel, but we wanted authority; that I would not take advantage of any technicality. If the French Government wanted it, they should have it. We had it in stock.

Mr. Rolph thereupon said: "Very well; if that is your position, I might as well tell you that no vessels will be available for you until after the 1st of January, and you might just as well sell, and you can replace those sugars at a lesser price." I said: "With that statement, that no vessels will be provided to us, we will release those sugars and take our chances after January to restore those sugars again."

A few days after that I received advices from A. H. Lamborn & Co., under date of November 9, addressed to the Federal Sugar Refining Co., New York City, as follows [reading]:

Regarding balances of refined sugar unshipped account of Royal Commission, please be advised that tonnage will be provided to ship the above sugars next month—

That is, November—

taking delivery in December.

May I pass that to you?

The CHAIRMAN. Yes.

Mr. SPRECKELS. I was quite surprised to receive that from A. H. Lamborn & Co., and I then wrote back to Lamborn & Co that letter.

The CHAIRMAN. You can read the letter. Just read your reply. Let me ask you before you read it, however, when the statement was made to you that there would be no tonnage available for you or no vessels to ship your sugar until after January, what did you understand by that?

Mr. SPRECKELS. That those sugars would not be used for France until in January.

The CHAIRMAN. How about the vessels? Who was to withhold the vessels?

Mr. SPRECKELS. I imagined the food administrator, that he had authority.

The CHAIRMAN. Was that what you understood him to mean?

Mr. SPRECKELS. That is what I understood him to mean. I said: "With that statement, I will release the sugars for the time being, and then again replace them when the new sugars are coming in."

The CHAIRMAN. Now read the letter that you wrote in reply.

Mr. SPRECKELS. This is addressed to A. H. Lamborn & Co.

The CHAIRMAN. By the way, did they represent the French people?

Mr. SPRECKELS. They represented the Royal Commission, or the Admiralty. They always provided the vessel; they bought the sugar for the Royal Commission, and also provided the vessel. The contract was made by A. H. Lamborn & Co., agents for the British Royal Commission.

The CHAIRMAN. Very well.

Mr. SPRECKELS. This is dated November 13 [reading]:

EXHIBIT No. 21.

NOVEMBER 13, 1917.

THE A. H. LAMBORN CO.,
98 Wall Street, New York, N. Y.

GENTLEMEN: We beg to acknowledge receipt of yours of November 9, advising us that tonnage will be provided by you next month for the balance of refined sugar not shipped for account of the British Royal Commission.

Mr. Babst of the International Sugar Committee and Mr. Rolph of the International Sugar Committee and in charge of the sugar division of the United States Food Administration, suggested to us on Friday last that we regard the contracts as canceled, on account of the commission not complying with the terms of the contract in regard to shipment. Upon our refusal to cancel on these technical grounds, we were advised by them that tonnage would not be provided until after the first of the year and we were therefore free to sell in the domestic market the stock we were reserving. As a few moments before this statement was made to us by Messrs. Rolph and Babst, Sir Joseph White-Todd told us that the International Sugar Committee had the matter under discussion, we assume this plan has the sanction of the British members of the International Sugar Committee and of the British Royal Commission, and therefore do not quite understand why you notify us that you will provide tonnage next month.

Very truly, yours,

FEDERAL SUGAR REFINING CO.

Mr. SPRECKELS. I thought there might be some misunderstanding.

The CHAIRMAN. Was there any further correspondence about that?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Let us have the next letter.

Mr. SPRECKELS. In answer to that, Mr. Lamborn called in person and said he had had an interview with Sir Joseph White-Todd, and Sir Joseph White-Todd understood that we did not have any sugars on hand for delivery, and requested Lamborn & Co. to get from us a letter stating that we had those sugars on hand. He could not believe it; he thought those sugars had already been disposed of. That letter I have not with me. I gave a letter addressed to Sir Joseph White-Todd to the effect that we had them, and we were ready to deliver, and always had been.

Senator JONES. Were those sugars needed in the United States at that time?

Mr. SPRECKELS. They were. They were needed.

Senator VARDAMAN. In your opinion, what was the purpose of asking you to do that, or that deception, if it was deceiving you about the matter?

Mr. SPRECKELS. The purpose was that Mr. Babst wanted us to take the same position that he had taken, and cancel that contract. As his contracts that he had made were so much below the market then prevailing, he could make that additional profit by selling the sugars that really belonged to them, although not paid for, and release them at a large profit in this market. That is the reason. I can see no other reason; and in order to sustain him, he asked the Warner Sugar Refining Co. and ourselves to support him and take the same view of it as he did and cancel the contract.

Senator JONES. If those sugars were needed in this market, might you not be able to ascribe some other reason?

Mr. SPRECKELS. I could not.

The CHAIRMAN. Read the letter, now.

Mr. SPRECKELS. I then sought an interview with Sir Joseph White-Todd, and he said that he had understood Mr. Babst, particularly, and Mr. Rolph to say that we wanted our contract canceled and had canceled the contract; that that was our position. I said they had no right to make any such statement, Mr. Rolph and Mr. Babst both knowing that we were willing to adhere strictly to the contract. We had those sugars. After that statement was made to me by Sir Joseph White-Todd, I addressed the following communication to Mr. Rolph. Shall I read it?

The CHAIRMAN. Yes.

Mr. SPRECKELS [reading]:

EXHIBIT NO. 22.

NOVEMBER 21, 1917.

Mr. GEORGE M. ROLPH,
In charge of Sugar Division,
United States Food Administration,
111 Wall Street, New York City.

DEAR SIR: My object in addressing you is to obtain a retraction of a statement attributed to you by Sir Joseph White-Todd, which, if made, I am compelled to believe was known by you to be false. I refer to your assurance to Sir Joseph that my company, the Federal Sugar Refining Co., intended, with the American Sugar Refining Co., canceling outstanding contracts with the British Royal Commission, on the wretchedly technical plea that as the time for lifting the sugars had expired, the refiners were released from their obligations.

You will perhaps recall that on November 8, at a meeting of the refiners' committee, you suggested to Mr. Warner and myself that we cancel these contracts and release the sugars for the domestic market; and to my inquiry whether such was the desire of the Royal British Commission, you replied that I would better see Sir Joseph White-Todd and ask him. Accordingly, with Mr. Warner, Mr. Wemple, and Mr. Lowry, we proceeded to Sir Joseph's office and found him engaged in a conference; however, we were ushered into his private office and presently you emerged from the conference room and told us that Sir Joseph would be with us in a few minutes. Later Sir Joseph came into the room to get a document from his desk, and, as he was returning, Mr. Warner called to him that we had a question to ask him, to which Sir Joseph replied: "Yes, I know. We are considering the matter now and I will be with you in a little while."

Shortly thereafter you and Mr. Babst came out of the conference room and, closing the door after you, enjoined us to secrecy concerning what you were about to say, and particularly requesting us not to mention it to Lamborn & Co. Thereupon Mr. Babst stated that the Food Commission's recent statement that 26,000 tons of sugar destined in part for France had been released for the domestic market had stirred the French to protest, and that the Food Commission was placed thereby in an embarrassing position, saying further that with a view to assisting the Food Commission he had scrutinized the contracts with the American Sugar Refining Co. and finding that the time for lifting the sugar had expired, he had taken advantage of this technicality to cancel the contracts. Turning then to you, Mr. Babst asked you to continue, whereupon you suggested that Mr. Warner and I should likewise cancel our respective contracts with the British Commission. My answer was prompt and specific to the effect that, although it would be financially to our advantage to cancel, we would under no circumstances take advantage of a technicality to relieve ourselves of an obligation. To this you replied that since that was our position, you must inform us that no tonnage would be placed at our disposal to take this sugar to France until after the first of the year. My reply was that with this assurance we would release the sugar for the domestic market and fill the contracts from our later production in time for shipment. We then parted.

To my surprise, a few days later we received notice from Lamborn & Co. declaring a vessel to lift the sugar in December, and annexed you will find a copy of my letter in reply to these gentlemen. It was then that I again sought an interview with Sir Joseph White-Todd, for I had been always under the impression that at our interview in his office you and Mr. Babst were in effect reporting the substance of his wishes concerning a cancellation of the contracts.

It is on Sir Joseph's statement that I now seek a retraction from you, for he informs me that he never wished the contract canceled nor the shipment deferred, knowing France's urgent need of sugar, and, most important of all, that both you and Mr. Babst at the conference to which I have referred assured Sir Joseph that my company desired a cancellation and took the same position as the American Sugar Refining Co. with reference to the technical right to cancel.

You very well know that I have always taken the position that commercial contracts are sacred, in this as in all other instances, and my refusal to cancel this particular contract was certainly specific enough to dispel any lingering thought in your mind that I might change my attitude. As much as we desired to relieve the sugar famine in the domestic market, we would not overlook the urgent needs of our own and allied soldiers in France. I must ask you, therefore, either to deny that you made the statement attributed to you by Sir Joseph White-Todd or retract that statement in a letter to him.

Your prompt reply to this letter is expected.

Yours, truly,

Senator VARDAMAN. Did you get any reply?

Mr. SPRECKELS. Yes, sir. Shall I go right on?

Senator LODGE. Yes; go right on.

Mr. SPRECKELS. That letter was written to him on November 21. He answered it on November 27, as follows [reading]:

EXHIBIT No. 23.

INTERNATIONAL SUGAR COMMITTEE,
111 Wall Street, New York City, November 27, 1917.

C. A. SPRECKELS, Esq.,
President Federal Sugar Refining Co.,
91 Wall Street, New York City.

MY DEAR MR. SPRECKELS: In reply to your letter of November 21, beg to advise that I have handed same to Sir Joseph White-Todd, who will answer your inquiry.

Yours, very truly,

GEO. M. ROLPH.

To which I answered the next day, the 28th [reading]:

EXHIBIT No. 24.

NOVEMBER 28, 1917.

MR. GEORGE M. ROLPH,
In charge of the Sugar Division,
United States Food Administration,
111 Wall Street, New York City.

DEAR SIR:—I acknowledge receipt of your brief note of November 27.

In my letter to you on November 21 I presented several matters of public interest, namely: Mr. Babst's statement "that the Food Commission's recent statement that 26,000 tons of sugar destined in part for France had been released for the domestic market, had stirred the French to protest, and that the Food Commission was placed thereby in an embarrassing position, saying further that with a view to assisting the Food Commission he had scrutinized the contracts with the American Sugar Refining Co. and finding that the time for lifting the sugar had expired, he had taken advantage of this technicality to cancel the contracts," and your suggestion "that Mr. Warner and I should likewise cancel our respective contracts with the British Commission." I also pointed out in that letter the complete conflict between Mr. Babst's and your statements and that of Sir Joseph White-Todd concerning the conversation which took place at a conference between Mr. Babst, yourself, and Sir Joseph White-Todd on November 8 while Mr. Warner, Mr. Wemple, Mr. Lowry, and I were waiting in Sir Joseph's office in quest of information regarding the Royal British Commission's attitude concerning the sugars contracted for by the commission in behalf of France.

I deem it to be a matter of more than personal interest and therefore I must again insist upon a written answer to my letter of November 21.

Yours, very truly,

———— ————.

The CHAIRMAN. On November 30 Mr. Rolph replies [reading]:

EXHIBIT No. 25.

INTERNATIONAL SUGAR COMMITTEE,
111 Wall Street, New York City, November 30, 1917.

C. A. SPRECKELS, Esq.,
President Federal Sugar Refining Co.,
91 Wall Street, New York City.

MY DEAR MR. SPRECKELS: I beg to acknowledge receipt of your letter of the 28th instant.

Inasmuch as Sir Joseph White-Todd's name was invoked in your previous letter, I submitted it to him and can only refer you to the interview that Sir Joseph sought with you and at which, Sir Joseph told me, he took the trouble to explain fully to you the situation in its correct light and so different from the manner in which you evidently construed it.

I now therefore see no object in further correspondence on the subject.

Yours, very truly,

GEO. M. ROLPH.

Mr. SPRECKELS. Sir Joseph asked for an interview. I went to his office. He had before him the letter which I first wrote, and told me

that he felt extremely sorry, and particularly sorry for Mr. Rolph: that Mr. Rolph was a hard-working young man, and trying to do his best, and there may have been some misunderstanding between them, and would not I, as a favor, "I beg of you," he said, "and implore you, please withdraw that letter." I said: "No, Sir Joseph, those are the facts. I will not withdraw any letter." He thought I was very hard. He said he hoped that something could be brought about; possibly he misunderstood; possibly they misunderstood; there was something wrong, merely a misunderstanding. That ended the interview. I declined to withdraw the letter, and those are the facts.

The CHAIRMAN. Were you afterwards called on for that sugar by the French Government?

Mr. SPRECKELS. No; but I understand we are called on now; are we not?

Mr. LOWRY. They assigned two ships, and one of them was sunk. The other one loaded with wheat.

Mr. SPRECKELS. Yes; they had assigned us two boats, one of which was sunk in coming over, and the other, as they required some wheat, was going to Baltimore, I think, and they expect to give us another boat on the 20th of this month.

The CHAIRMAN. So that they still want that sugar?

Mr. SPRECKELS. They still want that sugar.

Senator JONES. The American Sugar Refining Co. had canceled its contract on the technicality according to your letter?

Mr. SPRECKELS. Yes, sir.

Senator JONES. Then how could it profit financially by your transaction, whether you released yours or not?

Mr. SPRECKELS. They could only profit by having the moral support that it would give them to say that we all had the same view.

Senator JONES. You would not attach any money value to that moral support, would you?

Mr. SPRECKELS. The money value was to them in canceling their contract; yes.

Senator JONES. But they had already done that, according to your letter.

Mr. SPRECKELS. They had done it. The only reason that I suppose they wanted us to do likewise would be to reinforce their position.

Senator JONES. Awhile ago you made the statement, if I understood you, that their purpose in this was to profit financially.

Mr. SPRECKELS. Their purpose in canceling the contract?

Senator JONES. In getting you to cancel yours.

Senator LODGE. No.

Mr. SPRECKELS. Oh, no; in canceling their contract.

Senator JONES. I misunderstood you, then.

Mr. SPRECKELS. In canceling their contract they would be financially benefited, but in having us cancel our contract it would give them the moral support to show to the French that we took the same position, and everybody thought the same, and they were right.

Senator JONES. I see. I misunderstood you.

The CHAIRMAN. In the Poor's Manual, from which I read, there is a statement to the general tenor and effect that the trust people had tried to get the Government to dismiss its trust suit against them.

Did you ever have any conversation about the proposition of getting that suit dismissed?

Mr. SPRECKELS. I had.

The CHAIRMAN. When was that?

Mr. SPRECKELS. As near as I can recall it, about the 1st of October last.

The CHAIRMAN. This year?

Mr. SPRECKELS. This year.

The CHAIRMAN. With whom was that conversation?

Mr. SPRECKELS. With Mr. Babst, the president of the American Sugar Refining Co.

The CHAIRMAN. Tell us what that conversation was.

Mr. SPRECKELS. He asked whether I would do him the favor of writing a letter. I thought it was a letter of introduction at the moment. I did not know what he wanted. I said, "What about?" He said, "I really dislike to tell you." He hesitated. He said, "Would you write a letter to the President of the United States?" I said, "On what subject?" "Well," he said, "you know, we are good now. There is a dissolution suit pending, and I have an intimation from the Attorney General's office that if you will write such a letter to the President of the United States, saying that you would not be averse to the dismissal of the suit, that all the past sins should be forgiven, as we are now good, the Attorney General would immediately dismiss the suit." I said, "What makes you think that a letter from me would have such influence? I would not have that influence with the President of the United States." He said, "Yes, because you are the principal people who have been aggrieved in all their actions." I said, "That is a matter I would have to think very seriously about." "Well," he said, "we are good now." "Yes, you might be good to-day, but I don't know what the future will hold. I could not guarantee anything. I don't know about signing any such letter as that." He requested, "Then, won't you please think it over?" I have thought it over ever since. I have not written the letter.

Mr. EARL D. BABST. Senator Reed, would it be a discourtesy to the committee for me to ask a personal privilege at this moment?

The CHAIRMAN. It would not be a discourtesy, but in the regular course you would be heard on anything——

Mr. BABST. This is Saturday, and I have understood that you might be adjourning to take up the coal inquiry.

The CHAIRMAN. Pardon me; I have the misfortune of not knowing your name.

Mr. BABST. I am Mr. Babst, of the American Sugar Refining Co.

The CHAIRMAN. Oh, yes.

Mr. BABST. I have been here two days, ready to appear and give testimony; and inasmuch as the statement just made is of such far-reaching effect and importance, I should like very much indeed to reply to it here and now if I might be privileged to do so.

Senator VARDAMAN. I think as soon as Mr. Spreckels's testimony is finished you might be heard. Are you through with Mr. Spreckels?

The CHAIRMAN. No; there is one other subject I wanted to take up.

Mr. BABST. I can do it in three minutes, Mr. Chairman.

The CHAIRMAN. Very well; I think we will afford you that privilege.

Mr. BABST. Thank you very much. What I said to Mr. Spreckels was this: That inasmuch as the entire sugar-refining industry—well, I should like to be sworn, if I may be, Mr. Chairman.

The CHAIRMAN. Yes, sir.

TESTIMONY OF MR. EARL D. BABST, PRESIDENT OF THE AMERICAN SUGAR REFINING CO., NEW YORK CITY.

(The witness was sworn by the chairman.)

Mr. BABST. Mr. Spreckels had come to my office explaining that he was oversold in his deliveries, as he testified to here yesterday; that he was thereby placed in a very embarrassing situation; that he proposed, if possible, to obtain enough sugar to fill these oversales and then close his refinery. I replied to Mr. Spreckels: "You know, Mr. Spreckels, you have already had from the 80,000 bags" which were mentioned yesterday, "more than your proportionate share; and if the international committee were to give you this additional amount of 13,300 bags, it would bring your total amount to more than one-third of all the sugars in that lot."

The CHAIRMAN. Excuse me, Mr. Babst. Did you want to make a general statement in regard to Mr. Spreckels's testimony, or did you want to reply to this statement about the trust matter?

Mr. BABST. The trust matter. I am merely stating the whole conversation.

The CHAIRMAN. The only reason that I stopped you was this: Of course, if we are going to have an extensive hearing, we had better take it up in order.

Mr. BABST. Not at all.

The CHAIRMAN. If it is some matter personal to yourself, I thought you were entitled to make the statement. I want to give you every courtesy, but I did not want to break up the orderly course of the hearing.

Mr. BABST. Not at all.

The CHAIRMAN. Proceed.

Mr. BABST. I want to give you the entire conversation. "It would mean that you would receive 33,300 bags." Well, then, he explained the great favor it would be to him. I told him that I would consult with my associates and let him know.

I then said to Mr. Spreckels: "Mr. Spreckels, it has been suggested to me by some of our competitors that inasmuch as we are all going under Government control, and have entered into contracts with the Food Administration in such a manner that the entire sugar refining industry will be conducted under the Government itself, and we have been asked to assist, through our officers, in making the conduct of that control in the ordinary and usual business channels, as far as possible, it has been suggested to me that under those circumstances the Government itself should dismiss the dissolution suit which it had brought against you, in which they charged you with privately and under private management seeking to accomplish the same effect. My attention has just been called to the fact that"——

Mr. SPRECKELS. Mr. Chairman, I should like to explain that when they have reference to the Spreckels Sugar Refining Co. or the Penn-

sylvania, located in Philadelphia, it is a company which I have no connection whatsoever with. It is owned in its entirety by the American Sugar Refining Co.

Senator LODGE. Mr. Babst, did I understand you to say there was a dissolution suit against Mr. Spreckels?

Mr. BABST. Oh, no.

Senator LODGE. That is the way you worded it.

Mr. BABST. I am very sorry. My attention was just called to it. The dissolution suit was against the American Sugar Refining Co. I said to Mr. Spreckels: "If such a proposal as that were made by our competitors would you be willing to join in such a suggestion?" Mr. Spreckels said in reply that he would think it over. There was no further conversation at the moment that I remember, because I saw at once that he hesitated. Mr. Spreckels, I will be glad to be questioned by you if you wish.

The CHAIRMAN. We will conduct the examination.

Mr. BABST. That is all. I thank you very much.

The CHAIRMAN. You say that there was nothing said about writing a letter to the President?

Mr. BABST. Nothing whatever. It is not a matter, naturally, that under any circumstances would go to the President, as it was entirely in the hands of the Department of Justice.

Mr. SPRECKELS. Did you not ask me to write a letter to the President of the United States?

Mr. BABST. I did not.

Mr. SPRECKELS. My statement is under oath.

Mr. BABST. So is mine.

Mr. SPRECKELS. I will repeat it. That is the statement that he made, absolutely.

Mr. BABST. I rose to this personal privilege because I hope to have the privilege of appearing and controverting other matters equally emphatically from time to time.

The CHAIRMAN. You will be given a full opportunity to appear, as will everybody who has any information of value.

Mr. BABST. I am very much obliged.

Senator VARDAMAN. Mr. Chairman, I think we have about finished. It is 2 o'clock. I move that we adjourn until 10.30 on Monday.

Mr. LINDLEY. Mr. Chairman, before adjourning, may I ask a question as to the manner in which we are to present our suggestions to members of the committee? I apprehend that the regular way would be to present to the committee, or some member of the committee, some line of questions. I understand that the questions will be all asked through the committee.

The CHAIRMAN. Yes.

Mr. LINDLEY. And that I am not to cross-examine witnesses. I am sure I have never yet had a witness that I badgered, and I rather pride myself upon my method of cross-examination. However, you are not familiar with it, and I expect to adhere to that rule and do it with pleasure. I should like to ask, under those circumstances, that Mr. Spreckels be requested to return and be subject to such questions as the committee may wish to ask him.

The CHAIRMAN. Mr. Spreckels will return. Let me say to you, Judge, that the idea back of all these investigations is that they are not adversary proceedings; that it is an investigation by Congress to ascertain the truth of the matter. Certainly the Food Administration is not intended to be tried here. We are trying to get at the facts of the sugar question, and the Food Administration comes in incidentally, just because the Food Administration has to do with it, just as Mr. Spreckels is put on the stand here, because he had to do with it, as we shall put Mr. Babst on the stand, because he had to do with it, and as we may ultimately put the Louisiana sugar planters and the beet-sugar planters on the stand, because they had to do with it. We could not treat this as a case having sides; and if anybody has a right to be present by counsel, then I suppose Mr. Spreckels would be entitled to have counsel and to cross-examine, and Mr. Babst, and anybody else. The result would be that we would have a sort of court trial when we are trying to conduct an investigation. But we want all the light we can get; and if you want to make your suggestions to any member of the committee you can pick your own member, or to the committeee in general, either in person or by writing. There is no impropriety in any way in doing that.

Senator VARDAMAN. Pardon me, Mr. Chairman. If Judge Lindley knows of any witnesses that can throw any light on the question, we shall be glad to have him send them here.

Mr. LINDLEY. I have in mind, then, Mr. Chairman, that during the adjournment I will prepare an outline of the statement of the situation from the Food Administration's standpoint, and I will give a list of witnesses that we would like to ask the committee to call.

Senator VARDAMAN. We shall be glad to have it.

The CHAIRMAN. That is strictly in accordance with the invitation we extended.

Mr. LINDLEY. Of course, I think that the position assumed by the chairman and members as to the character of this investigation is undoubtedly the correct legal position. Unfortunately, popularly the Food Administration is supposed to be "on the carpet" just at this moment.

The CHAIRMAN. Well, they have been pretty well able to take care of themselves in the past, and they have a pretty well-organized press bureau of their own. I do not believe they will get the worst of it.

Mr. LINDLEY. I hope not.

The CHAIRMAN. I do not want them to get the worst of it, myself.

Senator VARDAMAN. All we want is the truth.

The CHAIRMAN. The committee will now adjourn.

(Whereupon, at 2 o'clock p. m., the subcommittee adjourned to meet at 10.30 o'clock a. m. on Monday, December 17, 1917.

SHORTAGE OF SUGAR.

MONDAY, DECEMBER 17, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the room of the Committee on Indian Affairs, Capitol, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, Jones of New Mexico, Lodge, and Kenyon.

TESTIMONY OF MR. CLAUS A. SPRECKELS, PRESIDENT OF THE FEDERAL SUGAR REFINING CO., NEW YORK CITY—Resumed.

The CHAIRMAN. Mr. Spreckels, I call your attention to a paper purporting to be issued by Minford, Lueder & Co., members of the New York Coffee and Sugar Exchange, which is marked: "Confidential weekly market report of Minford, Lueder & Co., U. S. Food Administration License No. G00142." I inquire if that publication is generally accepted as an authoritative publication as to statements of fact in the trade?

Mr. SPRECKELS. It is. They are a firm of very high standing.

The CHAIRMAN. We were speaking of the causes of the sugar shortage, and, of course, we all understand that that is always affected by the receipts of sugars from Cuba. I want to call your attention to this statement in the publication I have just referred to, which is dated December 7, 1917 [reading]:

Remarks: Early Cuban and Porto Rican sugars are expected to come forward as rapidly as possible owing to the Atlantic ports being bare of greatly needed supplies. However, to-day's outlook for doing away with the accustomed premium for December arrival sugar, which has always been a great incentive for planters to start grinding early with a deficient yield, may delay same.

Now, this is the part to which I call your attention [reading]:

The stock of sugar in the United Kingdom, as of November 17, was 240,300 tons against 124,050 tons on the same date of last year, showing that while the supplies of sugar in our Atlantic ports have been allowed to run down to almost nothing Great Britain has been able to accumulate an increase of 100 per cent over last year, although the United States had the same facilities for purchasing supplies, except possibly from Java.

The CHAIRMAN. Now, in connection with that, I ask you if you can state from any data or information you have how much of Cuban

sugar of what we call the last year's crop, the crop that would be supplying the market at this moment, was shipped to Great Britain?

Mr. SPRECKELS. I sent for that information. I expect to have it a little later in the morning.

The CHAIRMAN. You have not received it?

Mr. SPRECKELS. Not yet. If you will repeat that question a little later, I think I will be able to supply it.

The CHAIRMAN. I will thank the reporter if he will mark that question so that I can refer to it later on.

In order that we may have it in the record, I desire to put in, with the permission of the committee, a table which appears in this same publication to which I refer.

Senator VARDAMAN. What is the date of the publication?

The CHAIRMAN. December 7, 1917. The table, I think, is a Willett & Gray table, but it gives the production of sugar for certain years from certain sources. I am introducing it, however, for the reason that it gives the dates when the cane-sugar crops mature and also the amounts of those crops. For instance, it states that the Louisiana crop begins in October, the Porto Rican crop in January, the Hawaiian crop in November, etc. I should like to have that part which is marked, included in the marked lines, put in the record.

The table referred to is here printed in full as follows:

EXHIBIT No. 26.

Estimates of total world's crops, compared with previous years.

	1917-18	1916-17	1915-16	1914-15	1913-14
	Tons.	*Tons.*	*Tons.*	*Tons.*	*Tons.*
Total cane sugar production (Willett & Gray) (estimated)	12,070,000	11,233,294	10,585,528	10,216,654	9,839,919
European beet sugar production (Willett & Gray) (estimated)	3,849,000	4,555,407	5,209,233	7,583,215	8,243,165
United States beet sugar production (Willett & Gray) (estimated)	875,000	734,577	779,756	646,257	655,298
Grand total cane and beet sugar (estimated)	16,794,000	16,523,278	16,574,517	18,446,126	18,732,382

Estimates of the cane sugar crops (W. & G.), from which the United States receives supplies (Java in normal times).

	Crop begins—	1917-18	1916-17	1915-16	1914-15
		Tons.	*Tons.*	*Tons.*	*Tons.*
United States:					
Louisiana	October	225,000	271,339	122,768	216,696
Porto Rico	January	475,000	448,567	431,335	315,000
Hawaii	November	525,000	579,302	529,895	565,000
Cuba	December	3,200,000	3,000,000	3,008,000	2,600,000
Demerara	October	120,000	120,000	116,000	100,000
Peru	..do	265,000	250,000	200,000	175,000
Brazil	..do	375,000	300,000	194,000	200,000
Java	May	1,800,000	1,596,174	1,200,000	1,303,045
Philippines	November	271,250	210,000	316,250	243,000
		7,281,250	6,775,382	6,121,998	5,717,741

Estimates of the European beet sugar crop, by countries.

	1917-18	1916-17	1915-16	1914-15	1913-14 (outturn)
	Tons.	*Tons.*	*Tons.*	*Tons.*	*Tons.*
Germany	1,200,000	1,350,000	1,500,000	2,500,000	2,738,000
Austria	800,000	900,000	1,011,000	1,602,315	1,710,000
France	210,000	181,385	140,000	302,961	800,000
Belgium	126,000	133,210	100,000	203,606	230,000
Holland	210,000	260,000	230,000	302,458	230,000
Other countries	404,000	571,892	620,115	678,008	796,700
	2,949,000	3,396,487	3,601,515	5,589,350	6,504,700
Russia	900,000	1,158,920	1,588,872	1,967,336	1,750,000
Total all Europe	3,849,000	4,555,407	5,190,387	7,556,686	8,254,700

Duties.—All sugars of 96° test (without regard to color or whether they are raw or refined) will pay 1.256 cents per pound, excepting those coming from Cuba have a preferential duty of 20 per cent and will pay 1.0048 cents per pound. All sugars of 99½° test (foreign granulated tests about 99½°) will pay 1.347 cents per pound, except all sugars coming from Cuba have a preferential duty of 20 per cent.

The rates for duties on all sugars (raw or refined, without regard to color) are based on polariscope test; say 0.71 cents per pound for 75° test, with 0.026 cents added for each degree above 75° test, fractions pro rata, except Cuba sugars are allowed 20 per cent less duty.

The CHAIRMAN. Mr. Spreckels, you were asked in regard to the shortage in the Atlantic ports and the places from which sugar could have been obtained if there had been no outside interference. I will ask you now if you can tell the amount of sugar that in 1916 was refined at the Atlantic ports?

Mr. SPRECKELS. In 1916 the meltings from October 1 to December 1 at the Atlantic ports were 405,000 tons.

The CHAIRMAN. Was there any shortage in 1916 at the Atlantic ports?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. I mean, shortage in the Atlantic States or in the country, of sugar?

Mr. SPRECKELS. No sugar famine—no shortage.

The CHAIRMAN. Very well.

Mr. SPRECKELS. Out of which they have exported 87,000 tons, leaving a balance, the requirements for the Atlantic ports to give them the same amount of sugar as last year, of 318,000 tons.

Now we come to 1917. We had on October 1 stock in the Atlantic ports to the extent of 56,000 tons; there was stock in Cuba, October 1, of 112,000 tons; there was afloat from Cuba to New York 26,000 tons; a total of 194,000 tons; we received from other sources, such as Hawaii and other places, during that period, 69,000 tons, or a grand total of 263,000 tons.

There was in the Philippine Islands, which was available, from fifty to sixty thousand tons. I call it 50,000. That gives us a grand total of 313,000 tons, as against 318,000 tons required.

There were other sugars afloat the data of which I have not at hand. There were Peruvian sugars that were available, some of which since that time I understand have been diverted to other countries. I hope to have that information later in the day. There were stocks in San Francisco in the shape of raw sugar of from 100,000 to 110,000 tons.

The CHAIRMAN. Who had control of that sugar?

Mr. SPRECKELS. Mr. Rolph's company, so he informed me, had on October 1 about 70,000 tons and the Western Sugar Refining Co. approximately 40,000.

The CHAIRMAN. What was that—beet or cane?

Mr. SPRECKELS. Cane. There was also beet sugar in the country out West the price of which had been established at $7.25. Those sugars did not come forward as they usually come forward.

The CHAIRMAN. First, there were beet sugars?

Mr. SPRECKELS. There were beet sugars.

The CHAIRMAN. Can you tell me now, so that we will have it all in connection, when the beet sugar crop began to nature so that it could be refined and marketed?

Mr. SPRECKELS. In California they begin harvesting in August. and continue.

The CHAIRMAN. You say "continue". Do you mean——

Mr. SPRECKELS. And continue until the crop is all in.

The CHAIRMAN. In California alone?

Mr. SPRECKELS. In August, yes, sir. Their crops are earlier.

The CHAIRMAN. Are there other States that follow immediately along?

Mr. SPRECKELS. About the 1st of October they generally start slicing their beets in other sections of the country, but California is unusually early on account of climatic conditions, and the price was established for those sugars of $7.25 at seaboard.

The CHAIRMAN. I want to leave that question for the moment; I am coming to it later; but I want to ask you now in past years if there have been times when there was a sugar shortage in the central parts of the country or in the eastern parts of the country, and, if so, from what sources has that shortage been supplied in the past?

Mr. SPRECKELS. We had a shortage, I think in 1910 or 1911. At that time I think we scoured the world. We bought sugars in every part of the world where one scarcely believed there was sugar in existence. We bought it from Liverpool; we bought it back from England; we bought it from St. Johns; we bought it from Mexico. We went to the sugar pockets of every place in the world, but we kept our works going—we kept the people supplied with sugar.

The CHAIRMAN. Why did you not do that this year?

Mr. SPRECKELS. We were restricted from doing that—interfered with—by the Food Commission.

The CHAIRMAN. In past years when there has been a sugar shortage in the East or in any part of the country, has the sugar flowed to that point from all other parts of the country freely?

Mr. SPRECKELS. Always.

The CHAIRMAN. If the sugars held by Mr. Rolph's company and by the Western Sugar Refining Co. had been freely refined and shipped to the New England coast and to other parts of the country where there was a demand, would there have been any shortage this fall?

Mr. SPRECKELS. I think Mr. Rolph's company did refine, but they held an unusually large stock of raw material. If the raw material had been sent on to the eastern refiners to refine those sugars, there would have been no shortage.

The CHAIRMAN. If Mr. Rolph's company had refined them and sent them on——

Mr. SPRECKELS. He had not the capacity to refine it and bring it on here in time.

The CHAIRMAN. Did you offer to take any of those sugars?

Mr. SPRECKELS. I suggested to Mr. Rolph he had better send them on, and told him that I thought that he was hoarding the sugar in the West; that he was the real hoarder of sugar himself, by reason of his retaining 70,000 tons for his company of raw material. His answer to that was that it was necessary for his company to continue in operation until the new crops would be available from Hawaii. I called his attention to the fact that California was a beet producing State, and that there would be no shortage in that State; that when the sugars were ripe they should come on to the eastern market.

Senator VARDAMAN. May I ask in that connection whether any other refinery in the East was manufacturing at that time? Was your mill running?

Mr. SPRECKELS. Spasmodically. We would run for a few days as we received sugars, close down, and start up again—very spasmodically.

Senator VARDAMAN. Were there any other companies holding large quantities of raw sugar like Mr. Rolph's?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. You spoke of the Great Western having a supply on hand?

Mr. SPRECKELS. I mean the Western Sugar Refining Co. That is the cane refinery. They had Hawaiian sugars, located in San Francisco.

The CHAIRMAN. Did they have a large supply?

Mr. SPRECKELS. I understand they had about 40,000 tons.

The CHAIRMAN. Can you tell us approximately what the California beet sugar supply is?

Mr. SPRECKELS. Do you mean all the factories?

The CHAIRMAN. Yes. If the California beets that began to come in there in the month of August had been refined, how much sugar could have been produced from them?

Mr. SPRECKELS. The total production in beet sugars of California I think is 175,000 or 200,000 tons, but they could not get all that to the eastern market in time, because they continue their operations until about December; so we must deduct from that the part which they produce after, and allowing for the transportation, I should say half of the crop would be available.

The CHAIRMAN. If that had been manufactured and sent promptly to the eastern markets together with the other sugars that you have spoken of which Mr. Rolph had and which the Western Sugar Refining Co. had, would there have been any question about the sugar famine having been prevented in the East?

Mr. SPRECKELS. There would have been an abundance of sugar and to spare.

The CHAIRMAN. What incentive or motive or reason would there have been or did in fact exist for not sending the beet sugars to the eastern market?

Mr. SPRECKELS. Their price was limited by the Food Administration to $7.25 at seaboard points.

The CHAIRMAN. For all sugars?

Mr. SPRECKELS. All sugars.

Senator LODGE. All beet sugars?

Mr. SPRECKELS. All beet sugars. That means San Francisco, Boston, New York, Philadelphia and New Orleans. Now, if they had shipped those sugars to the eastern market and were only permitted to charge $7.25 for those sugars, the seller would have to pay the freight, the cost of transportation to the eastern market. Recently they have advanced—the food administrator has permitted them to sell those sugars at $8.15 instead of $7.25.

Senator LODGE. Beet sugars?

Mr. SPRECKELS. Beet sugars; and they are now coming forward, but rather late. They should have been here.

The CHAIRMAN. So that I may understand, the price of beet sugar, if I get you right, had been fixed at $7.25 at all points in the United States?

Senator LODGE. No; at all ports.

Mr. SPRECKELS. At all ports.

Senator LODGE. And the freights added from the ports?

Mr. SPRECKELS. They specifically enumerated San Francisco, New Orleans, Boston, New York, and Philadelphia.

The CHAIRMAN. So that the California beet sugars would bring as much at San Francisco as they would at Boston; and if the owner of those sugars shipped them to Boston, he would have to pay the freight across the country, and there was no allowance made in the orders of the Food Commission permitting him to have a higher price to make up for that freight charge, until recently?

Mr. SPRECKELS. Until recently.

The CHAIRMAN. When they made an order of that character?

Mr. SPRECKELS. Quite correct.

The CHAIRMAN. Beginning with the month of October, they began to get beet sugars from other places besides California, did they not?

Mr. SPRECKELS. Yes; Colorado, Michigan, and Utah—in fact, all through the United States where beet sugar is made.

Senator JONES. What was the price of cane sugar in those same ports for the same period of time?

Mr. SPRECKELS. The price of cane sugar—when we speak of beet sugar, remember that is granulated sugar as distinguished from raw sugar—the price in the eastern market was $8.35. It is now in Boston $8.15, the same as beet sugar; so they pay the same for the beet sugar as they paid for the cane sugar.

Senator JONES. But during the interim, when the price of beet sugar in California was $7.25 and in Boston $7.25, what was the price of cane sugar in Boston?

Mr. SPRECKELS. $8.35. That was the price. They did not have any sugar—I do not think they had any sugar—but they made a price of $8.35.

Senator JONES. Existing at the same time that the beet sugar price in Boston was $7.25?

Mr. SPRECKELS. That was the price established, $7.25; but no sugar came there, because it was to the interest of the manufacturer of beet sugar to sell his at home instead of selling to the eastern market, because he was not permitted to——

Senator JONES. I am not caring about that. I simply want to know the fact. During the time that beet sugar was $7.25 in the Boston market, what was the price of cane sugar in the Boston market?

Mr. SPRECKELS. There was no beet sugar in the Boston market.

Senator JONES. I am not asking you about that. During the time that the price of beet sugar in the Boston market was $7.25, what was the price of cane sugar in the Boston market?

Mr. SPRECKELS. $8.35.

Senator LODGE. Neither sugar existed, you know, at that time.

Mr. SPRECKELS. But no sugar existed.

Senator LODGE. Prices without sugar are of very little consequence.

Mr. SPRECKELS. They were prices without sugar.

The CHAIRMAN. Both those prices were fixed by whom?

Mr. SPRECKELS. By the Food Administration; but it was merely a price without sugar.

The CHAIRMAN. I think what Senator Jones was getting at was a different idea altogether. He wanted to know, if there was actually a higher price there for beet sugar, why this other sugar would not come in and get the price? If I understand it correctly, you say that the food administration fixed those prices upon sugar.

Senator VARDAMAN. Mr. Spreckels, the prices of beet sugar and cane sugar are always the same in the same market, are they not?

Mr. SPRECKELS. As a rule beet sugars sell for 20 cents a hundred less than cane. That is the usual differential.

Senator VARDAMAN. May I ask why that is?

Mr. SPRECKELS. Beet sugars are not strictly refined sugars. I mean they are not brought up to the standard of the refined cane sugars.

The CHAIRMAN. The same degree of purity, you mean?

Mr. SPRECKELS. Not quite the same degree of purity; practically the same. It answers the purpose.

Senator VARDAMAN. Is there a process by which that is refined and made to contain the same degree of saccharine matter?

Mr. SPRECKELS. It could be done, but it is not practicable.

Senator VARDAMAN. It is not generally done, then?

Mr. SPRECKELS. It is not generally done; no, sir.

The CHAIRMAN. As I understand you, you do not say anything against the beet sugars?

Mr. SPRECKELS. No; they are good sugars.

The CHAIRMAN. You say they are perfectly good sugars, but they are not quite as high grade as the other, and it makes a little difference in the price?

Mr. SPRECKELS. Precisely.

The CHAIRMAN. You have spoken of other sources of supply that you have not yet been able to get the figures on, but which you have sent for. With the permission of the committee we will let Mr. Spreckels put that statement in his testimony if he is not here when he gets those figures.

Senator LODGE. Yes.

The CHAIRMAN. Have you any objection to that?

Senator VARDAMAN. I have none.

The CHAIRMAN. The other day you furnished me with a table showing the prices paid to farmers for beets in various foreign countries. Have you any information as to the prices paid the American farmers for beets?

Mr. SPRECKELS. I have not it at hand, just now.

The CHAIRMAN. You have not it at hand?

Mr. SPRECKELS. No; I have not it at hand.

The CHAIRMAN. While the food department has been fixing prices for the finished sugar product, and arranging to fix a price for next year for the finished sugar product, have you heard of any proposition or any order of the food department fixing the price that the farmer is to receive for his beets, or that the producer of cane is to receive for his raw product?

Mr. SPRECKELS. No. On the contrary, I am told by parties in interest that Mr. Rolph has declined to do that, and said they would not consider at all the fixing of the price of beets to the farmer.

Senator VARDAMAN. While Senator Reed is looking for his papers, has there been any increase in the price of beets to the farmer this fall since the price of sugar was fixed?

Mr. SPRECKELS. I do not know that at first hand, Senator. I understand in some places they have advanced it 50 cents a ton.

Senator VARDAMAN. How much is that per pound?

Mr. SPRECKELS. Fifty cents per ton on beets.

Senator VARDAMAN. On the manufactured article?

Mr. SPRECKELS. It takes approximately, varying with the locality, I should say, an average of 8 tons of beets. That would be $4 per ton, or 20 cents per 100 pounds. It would be equivalent to 20 cents per 100 pounds for the sugar extracted.

The CHAIRMAN. By the way, you spoke of there being in the Philippine Islands something like 50,000 to 60,000 tons of sugar last fall. Do you know whether any part of that was sent to China?

Mr. SPRECKELS. Yes; I believe that 20,000 tons went to China in the interim—that is my information—which might have been brought to this country.

The CHAIRMAN. Do you know how this 20,000 tons happened to be sent to China—what inducements China offered to get it?

Mr. SPRECKELS. I imagine they paid a higher price. I do not know. That would be the natural inference.

Senator VARDAMAN. Do you know of your own knowledge whether they did or not?

Mr. SPRECKELS. No; I do not know of my own knowledge.

Senator VARDAMAN. You have no information on that subject?

Mr. SPRECKELS. No. The mere fact that it has been diverted——

The CHAIRMAN. Are you familiar, Mr. Spreckels, with the ramifications of the ownerships and controls of these various companies?

Mr. SPRECKELS. Yes; I am prettly well versed about it.

The CHAIRMAN. In order to get it all together, I am going to ask you if what is commonly called the sugar trust—I believe we have already put in its holdings in the beet sugar business.

Senator LODGE. That went in from Poor's Manual.

The CHAIRMAN. Yes; that went in.

The CHAIRMAN. Can you tell me what, if any, connection the American Sugar Refining Co. has with the National Sugar Refining Co.?

Mr. SPRECKELS. They have a stock interest of 25 per cent.

The CHAIRMAN. What is the connection of the National Sugar Refining Co. with B. H. Howell, Son & Co.?

Mr. SPRECKELS. B. H. Howell, Son & Co. are the fiscal agents of the National.

Senator VARDAMAN. Where are they?

Mr. SPRECKELS. At the corner of Front and Pine Streets, New York.

Senator VARDAMAN. What connection has Mr. Post, who is the president of the National Sugar Refining Co., with B. H. Howell, Son & Co.?

Mr. SPRECKELS. What is your question?

The CHAIRMAN. What is the connection of Mr. Post with B. H. Howell, Son & Co.?

Mr. SPRECKELS. He is a partner; the controlling partner of B. H. Howell, Son & Co.

The CHAIRMAN. What is the connection of B. H. Howell, Son & Co. with the Cuban-American Sugar Refining Co.?

Mr. SPRECKELS. He is treasurer. B. H. Howell, Son & Co. are the fiscal agents.

The CHAIRMAN. That is, Mr. Post is the treasurer of the American Sugar Refining Co.?

Mr. SPRECKELS. No; he is the treasurer of the Cuban-American and president of the National.

Senator VARDAMAN. Where is the Cuban-American located?

Mr. SPRECKELS. They are located in Cuba. They have plantations in Cuba and a refinery in Louisiana and also one in Porto Rico. I believe they have interests there.

The CHAIRMAN. Now, the Cuban Sugar Refining Co., in which Mr. Post is interested in the manner stated and in which the National Sugar Refining Co. is interested—or Mr. Post, of the National Refining Co., is interested—do they own any plantations in Cuba?

Mr. SPRECKELS. Who?

Senator LODGE. The Cuban-American?

The CHAIRMAN. The Cuban-American?

Mr. SPRECKELS. Yes; they do.

The CHAIRMAN. That is, the Cuban-American owns it?

Mr. SPRECKELS. Yes; they own it.

The CHAIRMAN. What is their production annually, do you know?

Mr. SPRECKELS. About 300,000 tons, I think. Three hundred thousand tons.

Senator VARDAMAN. That is raw sugar?

Mr. SPRECKELS. Raw sugar.

The CHAIRMAN. Now, in view of the suggestion that was made by you, Senator Jones, this morning, I am not going to ask the next question at this time, which makes this question more or less pertinent. I will waive it for the present.

What is the connection of B. H. Howell, Son & Co. with the West India Finance Co.? Do you know whether they are the fiscal agents or not?

Mr. SPRECKELS. They are the agents; that is all I know about it. I do not know what other connection they have.

The CHAIRMAN. What is the business of the West India Finance Co.?

Mr. SPRECKELS. To finance plantations.

The CHAIRMAN. In the West Indies?

Mr. SPRECKELS. In the West Indies.

The CHAIRMAN. That is sugar plantations, I suppose you mean?
Mr. SPRECKELS. Sugar plantations.
Senator VARDAMAN. Is their office in New York?
Mr. SPRECKELS. In New York.
The CHAIRMAN. If, now, the price of Cuban sugar is fixed at 4.60 cents f. o. b. for the crop that is now coming on, and if to that the freight and other necessary charges are added, what will be the price of raw sugar as laid down in this country?
Mr. SPRECKELS. Approximately 6 cents for raw sugar.
The CHAIRMAN. Adding to that the agreed or stipulated price for the refiners' profit, of $1.30, it would bring the price then to $7.30 for next year's crop?
Mr. SPRECKELS. Yes.
The CHAIRMAN. You have already said that that means a rise to a similar level as a basic level with other sugars produced in America, the Louisiana sugars and the beet sugars, less the usual discount which you have stated it gets because of the difference in quality; and it will also affect Hawaiian sugars?
Mr. SPRECKELS. It will establish the price for the Hawaiian sugars which are under contract throughout the year 1918.
The CHAIRMAN. Now, I forgot to ask you this: What is Mr. Rolph's company out there in California?
Mr. SPRECKELS. The California & Hawaiian Sugar Refining Co.
The CHAIRMAN. What connection has that company with the plantations in Hawaii that actually produce the raw material?
Mr. SPRECKELS. It is owned by the Hawaiian planters.
The CHAIRMAN. This company that Mr. Rolph operates, the Hawaiian, is owned by the Hawaiian planters; is that correct?
Mr. SPRECKELS. That is correct.
The CHAIRMAN. And are those Hawaiian planters organized into some sort of an association?
Mr. Spreckels. They are.
The CHAIRMAN. Do you know who got that association up?
Mr. SPRECKELS. I do.
The CHAIRMAN. Who?
Mr. SPRECKELS. Mr. Rolph.
The CHAIRMAN. What is the Hawaiian production?
Mr. SPRECKELS. About 600,000 tons; 550,000 to 600,000 tons.
The CHAIRMAN. What, in your opinion, will the price of Cuban sugar go to if there are no restrictions placed upon it for next year?
Mr. SPRECKELS. I should say very much lower.
The CHAIRMAN. How much lower?
Mr. SPRECKELS. I should say three-fourths of a cent a pound; $15 a ton.
The CHAIRMAN. If the price is fixed at the amount that it is stated that it is to be fixed at, how much profit will that mean—how much increased price will that mean—on the Hawaiian sugar? Fifteen dollars a ton, and you gave the production?
Mr. SPRECKELS. About $9,000,000.
The CHAIRMAN. Nine million dollars?
Mr. SPRECKELS. Yes; that is increase.
The CHAIRMAN. Increase. In other words, if you are correct in your estimate that this stipulated price will be three-fourths of a

cent—that it is three-fourths of a cent—above the natural price of raw sugar, it would increase the price to the sugar planters who own the sugar mills that Mr. Rolph operates by $9,000,000 on next year's crop?

Mr. SPRECKELS. It would.

The CHAIRMAN. Of course the American people would have to pay that?

Mr. SPRECKELS. Naturally.

The CHAIRMAN. How about the Western Sugar Refining Co.? Where does it get its supplies from?

Mr. SPRECKELS. You mean the Western Refining Co.?

The CHAIRMAN. The Western Refining Co.

Mr. SPRECKELS. From Hawaii.

The CHAIRMAN. In giving the figures you gave a moment ago, were you giving the figures for the entire Hawaiian production?

Mr. SPRECKELS. The entire Hawaiian production.

The CHAIRMAN. Is the Western a subsidiary of or connected with Mr. Rolph's company in any way?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Then this $9,000,000 would not all go to Mr. Rolph's people, but it would be divided?

Mr. SPRECKELS. It would be divided between the companies. The other company owns its own plantations.

The CHAIRMAN. It does own its plantations?

Mr. SPRECKELS. Yes; in Hawaii; and refines its sugar at that place.

Senator VARDAMAN. What per cent of the Hawaiian sugar does this Western Co. consume?

The CHAIRMAN. How much?

Mr. SPRECKELS. What proportion of the sugar?

The CHAIRMAN. Yes.

Mr. SPRECKELS. I should say about one-third and two-thirds; one-third for the Western and two-thirds for Mr. Rolph's company.

The CHAIRMAN. Is the Western Sugar Refining Co. in any way represented upon these boards that are at the present time engaged in the business of fixing sugar prices? Is Mr. Post——

Mr. SPRECKELS. Not on that board.

The CHAIRMAN. Not on that board?

Mr. SPRECKELS. No.

The CHAIRMAN. Are they connected with any of these boards that have to do with the sugar situation?

Mr. SPRECKELS. The general manager is an alternate member of the refiners' committee. I think I am correct in that statement.

The CHAIRMAN. If you want to verify it in any way, do so.

Senator VARDAMAN. Mr. Spreckels, in your statement that the fixing of the price by the Food Administrator had caused that appreciation, or, rather, given the profits you named to these companies, you have reference to the crop for 1917?

Mr. SPRECKELS. No; 1918.

Senator VARDAMAN. That will be raised in 1918?

Mr. SPRECKELS. It will be harvested during the year 1918.

Senator VARDAMAN. It is the crop that is growing now?

Mr. SPRECKELS. That is growing now and being harvested now.

Senator VARDAMAN. I wanted that fact understood.

The CHAIRMAN. You call it the 1918 crop because, while it is being harvested now, it runs over into 1918?

Mr. SPRECKELS. Yes.

Senator VARDAMAN. While you are waiting for those data, tell me how long it takes to grow a crop in Hawaii.

Mr. SPRECKLES. From the time of planting, the first crop is taken off in 18 months, but thereafter it is a voluntary crop and they cut it every year.

Senator VARDAMAN. You stated that yesterday. I just wanted to refresh my memory.

The CHAIRMAN. Can you state what proportion of the cane sugar production is owned or controlled by Mr. Babst's company, either directly or indirectly, through stockholdings or ownerships?

Mr. SPRECKELS. So far as I know, they have no holdings in cane sugar plantations, but only in beet factories.

The CHAIRMAN. Do you know how much is produced by the companies in which the cane sugar companies have an interest?

Mr. SPRECKELS. About three-sevenths of the total production.

The CHAIRMAN. That would be how many tons?

Mr. FREEMAN. I appear here as counsel for Mr. Babst and the American Sugar Refining Co., and submitting to your ruling, may I put a question through you, orally, to the witness? That was your ruling the other day.

The CHAIRMAN. Yes.

Mr. FREEMAN. Will you please ask the witness, when he makes the statement that the American Sugar Refining Co. has three-sevenths of the production of these cane companies, to which companies he refers?

The CHAIRMAN. He did not say the cane companies.

Mr. FREEMAN. "The cane companies" was the term used.

The CHAIRMAN. No.

Mr. SPRECKELS. I corrected that.

Senator JONES. You made a mistake in using the word "cane" instead of "beet," Senator Reed, and the witness answered it on the basis of beet.

Mr. FREEMAN. If the record shows "beet," it is agreeable.

The CHAIRMAN. Whether the record shows it or not, what I was inquiring about was beets, and if I misstated the term. I probably misled the witness. The witness had just said that he did not know that they owned any cane. Read the record.

(The stenographer read the question referred to, as follows:)

The CHAIRMAN. Do you know how much is produced by the companies in which the cane sugar companies have an interest?

The CHAIRMAN. That the witness was perfectly fair is shown by his previous statement, and I am likely to misstate a name at any time, and have done that all my life. I never tried a lawsuit in my life but what I did it a hundred times, if the case was of any length. So I will be glad to be corrected. You mean to say, then, about three-sevenths of the beet?

Mr. SPRECKELS. Of the beet.

The CHAIRMAN. I asked you if you could give me what that would be in tonnage.

Mr. SPRECKELS. I take that from Poor's Manual.
The CHAIRMAN. I can read the Poor's Manual, then.
Senator LODGE. It has been read in once.
The CHAIRMAN. This part of it?
Senator LODGE. Yes. As nearly as possible, three-sevenths.
Mr. FREEMAN. Mr. Chairman, will you kindly ask the witness if he can state if in any one of the beet sugar companies the American Sugar Refining Co. owns a majority interest, or any interest exceeding one-third?
The CHAIRMAN. I will, if it is deemed material. Let us get this answer just now. We will give the American Sugar Refining Co. the amp'est chance to put in its holdings in all of these companies. We shall desire, probably, to go into that very fully. What is the answer?
Mr. SPRECKELS. I should say approximately 340,000 tons.
The CHAIRMAN. What would that figure in the way of profits, if we assume that the price is increased three-quarters of a cent above the proposed price?
Mr. SPRECKELS. Increased profit, $4,800,000.
The CHAIRMAN. You do not know—or do you know—the exact holdings of Mr. Babst's company in these sugar refining companies?
Mr. FREEMAN. Beet sugar companies?
The CHAIRMAN. In these beet sugar factories, I believe they are called. We would be very glad, I will say to the counsel, if he will furnish us with an exact statement of the holdings of the American Sugar Refining Co.
Mr. FREEMAN. I will be very glad to furnish that to-day, exactly; and I try to bring myself entirely within the ruling of the committee, but I can really assist in bringing the truth out in statements.
Mr. LINDLEY. May I ask one of the members of the committee to put a question to Mr. Spreckels?
The CHAIRMAN. Certainly.
Mr. LINDLEY. You passed a question, but it occurred to me he should be asked whether or no these sugar stocks that he said were in existence and could have been brought here were not brought here because of the lack of transportation, both at sea and on land.
The CHAIRMAN. The committee has sent for the Assistant Secretary of State. He is here, and we will adjourn for the present.
Senator KENYON. He can answer that question before we go.
The CHAIRMAN. Let him answer it when we return.
(Thereupon, at 12.30 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTERNOON SESSION.

The Committee reassembled at 2.30 o'clock p. m. pursuant to the taking of the recess.

TESTIMONY OF MR. CLAUS A. SPRECKELS, PRESIDENT OF THE FEDERAL SUGAR REFINING CO., NEW YORK CITY—Resumed.

The CHAIRMAN. Judge Lindley, we have not at this moment the language of the question you wanted to ask Mr. Spreckels. Will you not repeat it?

Mr. LINDLEY. Mr. Spreckels testified to the fact that there were in different sections—well, in this country and outside of it—sugar supplies which, if they had been transmitted to this market, would have relieved the embarrassment caused by the shortage. The question I desired to ask Mr. Spreckels was whether he knows the fact that the sugar so transported could not reach either this country or adjacent points arose from the difficulty in getting the tonnage and transportation facilities on both sea and land.

Mr. SPRECKELS. No, sir; I do not. I know nothing about the tonnage.

Mr. LINDLEY. Now, Mr. Chairman, I want to be particular to obey the injunction of this committee and endeavor so far as I can to aid it in securing the truth. I am here representing no individual. I am doing my duty as a sworn official of the Government. There are a few fundamental things that surround this inquiry which I think it important to bring out at this time, to the extent that it is possible to bring them out, and suggest questions to Mr. Spreckels.

I had expected to abide by the suggestion made to me by one of the distinguished members of this committee, to hold all suggestions or cross-examination questions until after the committee itself had finished with the inquiry and each member of the committee had asked such questions as occurred to him as being appropriate in the interest of the development of the facts, but we have reached a stage in these proceedings where testimony is being introduced, and there are certain fundamental, underlying questions which affect the testimony, the proper interpretation of the testimony, and to avoid and prevent a misconstruction of this testimony so far as the great public are concerned, I would like the privilege at this time to have Mr. Spreckels asked certain questions—and they are few in number—which will, I think, reach the fundamental questions in regard to the matters concerning which he has been interrogated.

The CHAIRMAN. I think, Judge, that so far as the committee is concerned we will be through asking Mr. Spreckels questions in a few minutes.

Mr. LINDLEY. And may I then take up the examination?

The CHAIRMAN. Whatever questions you have then to suggest to the committee will be considered.

Mr. LINDLEY. Very well.

The CHAIRMAN. The European war began early in August of 1914. Were there any restrictions placed upon the sale of Cuban sugars or upon the price of Cuban sugars until these agreements were entered into last August by the sugar refiners and the Food Commission?

Mr. SPRECKELS. There were no restrictions prior to that.

The CHAIRMAN. Can you tell us the prices that Cuban sugars brought during the year 1914—well, I would say from the time that the European war was declared up to the time of these agreements?

Mr. SPRECKELS. I would have to figure that out, Senator. I would take the Willett & Gray statistics.

The CHAIRMAN. Are they not accessible there in the prices from time to time?

Mr. SPRECKELS. From time to time; yes, sir. It would probably be rather lengthy to read them all.

Senator KENYON. Your question was since the war, Mr. Chairman?

The CHAIRMAN. Since the war began, and up to the time the agreement was effected?

Mr. SPRECKELS. I believe that war was declared on August 2. That is my recollection.

The CHAIRMAN. Approximately that.

Mr. SPRECKELS. Approximately. I have here the prices by the week, the weekly prices during that time—the average weekly prices. They are as follows:

August 6, 1914, $4.26; August 13, $6.52; August 20, $6; August 27, $6.02; September 3, $6.01; September 10, $6.27; September 17, $5.89; September 24, $5.02; October 1, $5.01; October 8, $5.02; October 15, $4.51; October 22, $4.14; October 29, $3.64; November 5, $3,51; November 12, $4.07; November 19, $4.01; November 25, $9.04; December 3, $3.92; December 10, $3.89; December 17, $3.95; December 23, $4.01; December 30, $4.01.

That is the delivered price. That is the duty-paid price.

The CHAIRMAN. The duty-paid price?

Mr. SPRECKELS. The duty-paid price, from which should be deducted about $1.01.

The CHAIRMAN. One dollar and one cent.

Mr. SPRECKELS. And the freight.

The CHAIRMAN. And the freight. I have been trying to get at the Cuban prices. I should like, if I can, to have it uncomplicated by any other matters, freights or duties, so that we can get at a comparison with the price of $4.60 which it is supposed to pay, and if you can not give me that now, I will say to you that I would prefer just withdrawing the question or letting it stand open and letting you answer it by table.

Mr. SPRECKELS. I should prefer to do that to get it accurate.

The CHAIRMAN. Then, I suggest that you withdraw the answer, so far as given, and put in your answer.

Now, in order to get this right and save it all being mixed up in the record, let me add to the question:

What I want is the Cuban prices, f. o. b., so that we can have a comparison between the prices I have called for and the proposed price of $4.60; and if you can not answer now, please prepare a table and put it in during the course of your examination or as soon thereafter as possible.

Mr. SPRECKELS. I can supply that by Wednesday, probably, if that would be in time.

The CHAIRMAN. I desire to put in the record another statement contained in the Minford, Lueder & Co. publication that I put in this morning, or to which I referred this morning—their publication of December 7—announcing [reading]:

DECEMBER 1, 1917.

George M. Rolph, chairman of the international sugar committee, stated to-day that in view of the satisfactory price arrangement just entered into with the Cuban commission, it might be interesting to the public to know something more definite about the present situation in regard to sugar.

The international committee to-day purchased 20,000 bags of Cuban old-crop sugars at a price equal to 6.70, delivered in New York, duty paid. Mr. Rolph stated that no further sugars would be purchased on a basis higher than that agreed with the Cuban commission to-day, namely, 4.90 cost and freight, equal to about 5.90 duty paid. The price paid for the last of the old-crop Cubans was on the same basis as the prices now being paid for Louisiana sugars, northern port deliveries.

The CHAIRMAN. Referring to this price of $6.70 delivered in New York, which seems to have been the amount paid for the last 20,000 bags, or for the 20,000 bags that were secured at that date, was that in advance on the price that the food commission had fixed?

Mr. SPRECKELS. No, that was lower. Five dollars and seventy cents was lower.

The CHAIRMAN. Six dollars and seventy cents.

Mr. SPRECKELS. Six dollars and seventy cents. The price theretofore was $6.90.

The CHAIRMAN. Do you know of the President's having issued a proclamation putting an embargo on importations of sugar into this country? Do you know of that?

Mr. SPRECKELS. I do not recall it for the moment.

The CHAIRMAN. The statement is contained in this document I have been reading from, of December 1, and I was simply inquiring for information. I do not know, myself.

Mr. SPRECKELS. Yes, I remember now, he did issue such a proclamation, forbidding, without the license, to import certain foreign articles, sugar being among them.

The CHAIRMAN. Then let me see if this is a correct statement as you get it:

"In accordance with the President's proclamation placing an embargo on importations of sugar and various other products, a license has to be obtained from the War Trade Board for all importations. This is in addition to the food administration's importer's license."

Mr. SPRECKELS. That is right.

The CHAIRMAN. Is the food administration to license all importers also? Do you know about that?

Mr. SPRECKELS. I understand they are endeavoring to make an arrangement by which a license would be issued to each refiner who might import his sugars through the international committee, for the reason that if you were compelled to take out a license for each shipment, the time going to Washington and back would be placing the vessel, possibly, on demurrage. A suggestion has been made to issue a blanket license covering a certain amount of tons which might be imported, possibly 30 or 60 days.

The CHAIRMAN. Was that license to be obtained from the food commission?

Mr. SPRECKELS. No, from the War Department, as I understand.

The CHAIRMAN. From the War Department?

Mr. SPRECKELS. From the War Department. That was in the license department of the War Department.

The CHAIRMAN. That is what you understand is the new arrangement? What I am inquiring about just now—I have been a little obscure in my statement, perhaps—is this statement referring to that fact, that a license must be obtained from the War Board:

> This is in addition to the food administration's importer's license.

I was inquiring—I know nothing of the fact—whether the food administration has required importers to get out a license. Do you know about that?

Mr. SPRECKELS. Yes, we have such a license now.

The CHAIRMAN. From the food administration?

Mr. SPRECKLES. From the food administration.

The CHAIRMAN. You have not that license, of course, with you?

Mr. SPRECKELS. I have not; I have it in New York. I will be glad to produce it.

The CHAIRMAN. Do you know under what authority you were required to take out a license to ship goods into the country; this license from the food administration?

Mr. SPRECKELS. I think the act covers it.

The CHAIRMAN. The act covers that the food administration can require it?

Senator KENYON. No, that the President may require it.

Senator LODGE. And that he can delegate that power?

Mr. SPRECKELS. Which means the same thing, does it not?

The CHAIRMAN. Yes. So that the amount of it is that you can import sugars into this country, but before you can do business you must have a license to do business; and then before you can import sugars or raw materials you must have a license allowing you to import; that is right, is it?

Mr. SPRECKELS. That is right.

The CHAIRMAN. And then the food administrator brought you all before him and had you all sign these contracts that have been put in evidence?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And now the proposition is up to you to sign contracts authorizing the three American members of the international committee to contract for sugar on your account; that is the proposition?

Mr. SPRECKLES. That is what they propose to do.

The CHAIRMAN. There appeared in the press of yesterday morning—I think in all the leading papers—what purported to be a statement by Mr. Hoover touching this investigation. Since Mr. Hoover is represented here by an attorney, I would like to ask, Judge Lindley, if there is any question but that this is an authentic statement that appeared in the papers?

Mr. LINLEY. I would like to look at it. I have not seen it since it was promulgated. I imagine it is correct. If it is not, we will put in a correct one.

The CHAIRMAN. I would like to put it in the record at this point, and if it is not correct, you will be privileged to furnish a correct copy.

Mr. LINDLEY. Very well.

(The statement referred to is here printed in full, as follows:)

EXHIBIT No. 27.

(No. 539. For release for morning papers of December 16, 1917.)

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., December 15, 1917.

Herbert Hoover to-day issued the following statement:

"Anything I have to say to Mr. Spreckels's statements will be said in due time to the committee.

"It to-day requires no proof from me to establish that Mr. Spreckels, a leading sugar refiner, is sore at the Food Administration and would like to see it destroyed. I realize that Mr. Spreckels's balance sheet will not look so good next year as last, for refiners' profits have been regulated. Furthermore, his balance sheet would have looked better this year if the price of last August had

not been reduced and held fast in the face of a partial shortage that promised a fair opportunity for 30-cent sugar and much increased profits.

"Mr. Spreckels therefore has reason to feel badly. There are other citizens who will feel the same way and no doubt can entertain the public by assailing the Food Administration. While many feel badly, still the vast majority of men and women of our business community and of our farmers are sacrificing their profits daily to the Nation's necessities without complaint, for many are sacrificing more than their money—their sons.

"We have had two months of partial sugar shortage—October and November—and will also have December before relief from the new crop. The American people have had 500,000 tons of sugar in these two months—that is, 70 per cent of their normal supplies in each month—and if cars are available they will have 70 per cent in December. Owing to car shortages, the shortage has been most acute in the Northeast, and about 200 cars are to-day blocked from that region.

"This 70 per cent is twice the French ration. In the meantime we have given France a good part of the 30 per cent, and are proud of it. This supply to France was given deliberately and the American people were told of it at the time. We have also agreed to draw 10,000 tons for our friends in Canada. I have yet to meet an American citizen who would have had it otherwise.

"As to the Food Administration stopping the sources of supply: The fact that all available supplies have been brought here that ships and cars could bring and that it has already been eaten, is sufficient answer.

"Mr. Spreckels knows the bitterness of the 10-year fights between producers and refiners—between different refiners—and if he looks back over the last three months he will observe a desire of many of these elements to use the Food Administration as a club to settle their long-standing bitterness.

"If Mr. Spreckels will tell us where there is any sugar to-day that ships can be obtained to carry or cars can be obtained to deliver, it will be delivered at once with the same resolution that we have requisitioned or distributed over 60,000,000 pounds of embargoed sugar since October 1. In the meantime, the 900,000 tons of sugar in Java is as remote as cheese out of the moon—unless we wish to take bread ships from our own soldiers and the allies to provide ourselves with candy."

The CHAIRMAN. I want to ask you, before you leave the stand, Mr. Spreckels, about this statement of Mr. Hoover's contained in the statement which I have offered to put in the record [reading]:

> It requires no proof from me to establish that Mr. Spreckels, a leading sugar refiner, is sore at the food administration and would like to see it destroyed.
>
> I realize that Mr. Spreckels's balance sheet will not look so good next year as last, for refiners' profits have been regulated. Furthermore, his balance sheet would have looked better this year if the price of last August had not been reduced and held fast in the face of a partial shortage that promised a fair opportunity for 30-cent sugar and much increased profits.

The CHAIRMAN. How about that statement, that the situation last August promised 30-cent sugar?

Mr. SPRECKELS. I can see no occasion to justify it at all.

The CHAIRMAN. I asked you a moment ago to put in some prices of sugar that had occurred during the war, when there was no regulation, and while you have not given the figures yet, but are going to put them in, did the prices mount to any very extraordinary sum at any time since the war began, with an open market?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. The statement is made here that you are sore, and want to see the Food Administration destroyed because they have cut down your profits. What about that?

Mr. SPRECKELS. That is not a fact, Senator. On the contrary, I think we introduced a letter offering to work even without a profit; in fact, it was my endeavor to work with the Food Administration, and try to set them right, and not to combat them. My every effort

was directed toward that, and not against Mr. Hooyer. I was sorry that the thing took the turn that it did.

The CHAIRMAN. And you did send Mr. Hoover this letter, in which you offered to work without profit?

Mr. SPRECKELS. I did; in May.

The CHAIRMAN. And Mr. Hoover had that letter at the time he made this statement?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. I will ask you one further question, in view of the general tenor of this interview, or statement, whether or not it is the fact that your company has always been outside of what has been commonly known as the sugar combination, or the Sugar Trust?

Mr. SPRECKELS. Absolutely.

The CHAIRMAN. State whether or not it has constantly contended with that company, and those interests, in the sugar market?

Mr. SPRECKELS. Since the company was organized.

The CHAIRMAN. There is an assertion contained in this statement as follows [reading]:

> We have had two months of partial sugar shortage—October and November—and will also have December before relief from the new crop. The American people have had 500,000 tons of sugar in these two months—that is, 70 per cent of their normal supplies in each month, and if cars are available they will have 70 per cent in December. Owing to car shortage, the shortage has been most acute in the Northeast and about 200 cars are to-day blocked from that region.

SUPPLY SENT TO FRANCE.

> This 70 per cent is twice the French ration. In the meantime we have given France a good part of the 30 per cent and are proud of it.

The CHAIRMAN. Do you know how much, as a matter of fact, they did give to France during these months that are named here, October and November?

Mr. SPRECKELS. In October, 24,073 tons; in November, nothing; in December, nothing.

The CHAIRMAN. What percentage would that 24,000 tons be?

Mr. SPRECKELS. That would be 30 per cent of 80,000 tons.

The CHAIRMAN. Instead of 30 per cent of 500,000 tons?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Do you know of the effort of the Food Administration to prevent sugar being shipped to France during this very period when Mr. Hoover says he is proud they were sending sugars to France?

Mr. SPRECKELS. I think my report to Mr. Rolph answers that question. It has already been put in evidence.

The CHAIRMAN. That is to say, that you had sugars that were contracted to France?

Mr. SPRECKELS. Which they were eager for us to cancel.

The CHAIRMAN. Did they also cancel some other sugars during this very time, that you know of?

Mr. SPRECKELS. I was told the American Sugar Refining Co. had canceled their contract. I presume they did.

The CHAIRMAN. Can you tell me how many trains of cars it would have taken to have hauled from San Francisco to the Atlantic Coast enough sugar to have relieved the shortage?

Mr. SPRECKELS, I should say that 75,000 tons would materially help the situation. A trainload is about 1,500 tons. Therefore it would take 50 trainloads. I would like to call attention, however, to the fact that it may not have been necessary to send that by train. We might have sent it down to Galveston, as beet sugars are coming now. They are only about two weeks en route, and then can also send through the canal by steamer.

Senator JONES. What would have been the freight rate for shipping that all rail?

Mr. SPRECKELS. Sixty-five cents per hundred pounds.

The CHAIRMAN. I do not think of any questions I have to ask.

Senator JONES. I would like to ask the witness a few questions. What is the extent of your business in ordinary years? How many tons of refined sugar is your output?

Mr. SPRECKELS. Roughly speaking, about 400,000 tons.

Senator JONES. During the last four or five years in what market have you been disposing of that quantity, and what has been the relative amount in each of the different markets, if more than one?

Mr. SPRECKELS. Our distribution has been practically in Chicago and east thereof.

Senator JONES. Have you been an exporter of sugar?

Mr. SPRECKELS. Yes, sir.

Senator JONES. To what extent?

Mr. SPRECKELS. That varies according to conditions. Last year I think we exported about 40 per cent.

Senator JONES. This year what percentage?

Mr. SPRECKELS. I am sorry I can not give it to you offhand. I do not want to mislead you and give you a wrong answer.

Senator JONES. I understand.

Mr. SPRECKELS. I will be very glad to give you those figures, and give them to you accurately. The Food Administration has those. He called for those, and we have given them to him.

Senator JONES. I wish you would also put in the record, if you have no objection to it, the prices at which you have purchased raw sugar during this entire year, and your selling prices for the different periods of the year.

Mr. SPRECKELS. Although I do not think it is relevant to the case—to your investigation—I will say now that we will be very glad to do it. We have nothing to conceal.

Senator JONES. I wish you would state how the sugar market was fluctuating at and about the time of the declaration of war by this country.

The CHAIRMAN. Senator, will you pardon a suggestion? We have asked for those tables clear up to the time of the declaration of war, and he said he would put them in accurately a little later, which would cover the period, of course, from the time war was declared in Europe up to this time.

Mr. SPRECKELS. I think the Senator wants it from the time of the declaration by this country.

Senator JONES. Yes.

Mr. SPRECKELS. Would not the table of the raw sugar that I have offered to furnish cover that?

Senator JONES. I believe that may answer my purpose, Mr. Spreckels.

Mr. SPRECKELS. If that will answer your purpose I will be very glad to give it to you.

Senator JONES. I wish you would also show for that period of time how your list prices compare with the list prices of other sugar refining concerns.

Mr. SPRECKELS. I will show the prices of the American Sugar Refining Co. as compared to ours, or the different refineries, just as you like, taking them all.

Senator JONES. Take them all, if you can, if you have the data.

Mr. SPRECKELS. I have them all, and I will be very glad to furnish all of them. You want the table of the raw and refined sugars since the declaration of war by this country?

Senator JONES. Yes. And I would really like that from the first of this year, if you could give it to me.

Mr. SPRECKELS. I can give it to you.

Mr. LOWRY. Would it not be a good thing if the committee should call on Willett & Gray, who are recognized statisticians, to furnish that?

Mr. LINDLEY. I would like to state that I have taken all that information. I have it here tabulated, from Willett & Gray, commencing with the 1st of March and coming down to October 25.

Senator KENYON. I think the clerk has all those tables.

Senator JONES. A good deal of that time you were withdrawn from the American market, were you not?

Mr. SPRECKELS. From all markets.

Senator JONES. For what reason?

Mr. SPRECKELS. For the reason that we were unable to supply the demand. The various refineries were having strikes throughout the year. We had no strike. We voluntarily advanced the pay of our men from time to time, and charged the consumer the difference, the advance. The demand being so, we could not supply the entire demand of the United States, and often advanced our list price, which was really only a price, but not a selling price, withdrawing from the market, trying to discourage the consumption of our sugar.

Senator JONES. Do you recall the highest price which you paid for Cuban sugar prior to the agreement which has been introduced in evidence here?

Mr. SPRECKELS. I do not, but these tables will furnish all that information.

Senator JONES. I think the tables which the witness is going to produce will bring us all the information that I wanted to bring out.

Senator KENYON. The refiners have been in a general all-around row among themselves for the last 10 years, have they not?

Mr. SPRECKELS. I will have to answer that "yes" and "no."

Senator KENYON. What is the "no"?

Mr. SPRECKELS. The "no" is that there has been no general row.

Senator KENYON. A sort of a limited row among them?

Mr. SPRECKELS. There was no row in the past two years of any kind that I know of. There really has been no row, excepting competition. If competition constitutes a row, yes; there has been competition.

The CHAIRMAN. Judge Lindley, you wanted to have the committee ask some questions?

Mr. LINDLEY. Yes, Mr. Chairman. Mr. Spreckels, what fixed the price of all raw sugar that is either grown in or imported into the United States?

The CHAIRMAN. Excuse me. The understanding was that you would suggest to some member of the committee the question you wished to ask.

Mr. LINDLEY. I suggest that question.

The CHAIRMAN. You can put that through Senator Jones or any of the other Senators present.

Mr. LINDLEY. I will ask some member to volunteer to put the question.

The CHAIRMAN. I would put them, but I think perhaps you would prefer to have some other member put them.

Mr. LINDLEY. I am not particular, as long as the questions are put.

Senator KENYON. You will have to select your member.

Mr. LINDLEY. Senator Jones, will you put that question?

Senator JONES. I will, Judge.

Mr. SPRECKELS. I think I understood the question.

Senator JONES. I will repeat the question just asked by Judge Lindley.

Mr. SPRECKELS. What makes the price of raw materials coming into this country?

Mr. LINDLEY. Or grown in it.

Mr. SPRECKELS. My answer would be supply and demand except on the Hawaiian sugar. The price of that is fixed by contract.

Senator JONES. I will ask you how the contract fixes that price?

Mr. SPRECKELS. Whatever price is paid for 96 per cent centrifugal sugar in the New York market, the price that they pay in California is 25 cents per hundred less. That which is shipped to the Pennsylvania refinery and the National Sugar Refining Co. of New York is a price of 10 cents less.

Senator JONES. Then, instead of that price being fixed by contract, is it not a fact that the New York price fixes the price of Hawaiian sugar?

Mr. SPRECKELS. It does; and that price is fixed by the law of supply and demand.

Senator JONES. Then none of that Hawaiian sugar enters into the New York market in competition with the sugars of the world. does it?

Mr. SPRECKELS. Yes; I would say so.

Senator JONES. How can that be, if the Hawaiian crop is contracted for at the New York price?

Mr. SPRECKELS. Does it not displace that much foreign sugar?

Senator JONES. It will displace that much foreign sugar, that is true; but, inasmuch as the price of it is fixed by the New York price, the crop is all contracted for, how can it enter into the fixing of the New York price?

Mr. SPRECKELS. On the contrary, the New York price fixes the Hawaiian price, not the Hawaiian the New York price.

Senator JONES. That is just what I was trying to bring out. You said the Hawaiian price was fixed by contract.

Mr. SPRECKELS. I am sorry I did not quite catch what you wanted.

Senator JONES. What is it that fixes the New York price?

Mr. SPRECKELS. Supply and demand.
Senator JONES. What supply?
Mr. SPRECKELS. Cuba—all producing countries.
Senator JONES. Which is the principal producing country?
Mr. SPRECKELS. Cuba.
Senator JONES. And really, then, the price of Cuban sugar is the New York price on all raw sugars, is it not?
Mr. SPRECKELS. Yes, sir; the basis of it.
Mr. LINDLEY. I will ask Senator Jones to ask this question: Then, as Cuban sugar is the fundamental, it is simply a question as to what happens to the Cuban market?
Mr. SPRECKELS. Quite right.
Mr. LINDLEY. You see the witness was violating one of the rules of the committee in answering me directly.
Mr. SPRECKELS. I will consider it as coming from you, Senator Jones.
Senator JONES. Whatever controls the Cuban market, then, would naturally control the other raw sugars coming into the New York market?
Mr. SPRECKELS. Yes, sir.
Senator JONES. And the fate of Cuban sugars in that market would govern the fate of other sugars coming into that market?
Mr. SPRECKELS. Quite right.
Mr. LINDLEY. In fixing the price of Cuban sugar, are there any other ways of determining it except by competition or by arrangement with the planters?
Senator JONES. I will ask that question, just in that form.
Mr. SPRECKELS. I do not think I quite catch it, Judge.
(The stenographer repeated the question, as follows:)

In fixing the price of Cuban sugar, are there any other ways of determining it except by competition or by arrangement with the planters?

Mr. LINDLEY. By contract with the planters or in the competitive field?
Mr. SPRECKELS. I should say those are the only two ways I know of.
Mr. LINDLEY. I will ask the Senator to ask this question: If we assume a condition of the warring allied nations reducing their rations of sugar, the northern neutrals clamoring for sugar, with the competitive market in Cuba, would that price have a tendency to rise or to lower by reason of those competing conditions?
The CHAIRMAN. Judge, without venturing to suggest, except in a friendly way, how can that question be answered unless you state the amount of reduction in consumption by the allies, and the amount of extra demand by the neutrals? You see, you do not give the witness any data.
Mr. LINDLEY. I am simply asking a general question, the witness having stated that there are only two ways of fixing the price, one by competition and the other by contract, whether or no competing conditions—that is, assumed competing conditions—would have a tendency to lower or raise the price. I may put it that way, and withdraw the other question, if the Senator will kindly put it in that form.
Senator JONES. You may consider this as asked by me.
Mr. SPRECKELS. If you exclude the belligerents——

Mr. LINDLEY. Yes; exclude the central powers.

Mr. SPRECKELS. Excluding the central powers—all belligerents; is that what you mean?

Senator JONES. No; that is not meant—excluding the central powers.

Mr. LINDLEY. The central powers, as I understand, Mr. Chairman, would not be in the competitive field.

The CHAIRMAN. No; they are inside of a wall of steel, and we hope they will stay there.

Mr. LINDLEY. We hope they will be fired out of it.

The CHAIRMAN. I mean stay in, I want it smaller all the time.

Mr. SPRECKELS. I thought, as you put your question originally, you spoke of neutrals.

The CHAIRMAN. Reframe it.

Mr. LINDLEY. For the benefit of the Senator who has to ask the question, assuming the competitive condition, which had to enter the Cuban market to satisfy demands, would that competitive condition have a tendency to increase or lower the price of sugar?

Mr. SPRECKELS. As I stated before, it is all governed by supply and demand, and necessarily it would follow, wherever the demand was more, the price would proportionately advance as to the bearing on the amount they need.

Senator JONES. Let me ask you a question. If you have the information, will you please tell us whether or not there was a competitive condition regarding the Cuban sugars at the time of our declaration of war, and up to the time of the making of this agreement which has been introduced in evidence here?

Mr. SPRECKELS. There was a competitive condition.

Senator JONES. Between what countries?

Mr. SPRECKELS. I should say England and this country.

Senator JONES. Were the northern European countries also trying to get any of that sugar? Or, I will ask you a broader question: Were neutral countries trying to get any of that sugar?

Mr. SPRECKELS. They were to a limited extent, yes. Of course, their wants are few, comparatively speaking. May I submit this table? That furnishes all the information that you wish, I think. That shows where the Cuban stock went to.

(The paper referred to is here printed in full, as follows:)

EXHIBIT No. 28.

Cuban exports.

	1917 (to Dec. 15).	1916
United States	1,968,268	2,169,234
Canada	3,515	.....
United Kingdom	787,965	524,318
France	96,826	144,435
Spain	28,981	1,765
Other European countries	6,893	31,418
Mexico	1,831	147
Total	2,893,479	2,887,267

Senator JONES. According to this paper which you hand me I find that in 1916 Cuban sugar to the extent of 2,169,234 tons was ex-

ported to the United States; in 1917, up to December 15, 1,968,268 tons; a less amount in 1917 than in 1916.

To Canada in 1916 there was not exported any Cuban sugar, but in 1917, 3,515 tons.

To the United Kingdom in 1916, 524,318 tons; in 1917, 787,965 tons.

To France in 1916, 144,435 tons; and in 1917, 96,826 tons.

To Spain in 1916, 1,765 tons; and in 1917, 28,981 tons.

Other European countries, in 1916, 31,418 tons; in 1917, 6,593 tons.

To Mexico in 1916, 147 tons; and in 1917, 1,331 tons.

Making a grand total of exported sugar from Cuba in 1916 of 2,887,207 tons, and in 1917 of 2,893,479 tons.

I notice from this table that during 1917 the United Kingdom imported, of Cuban sugars, something over 250,000 tons more than in 1916. So it appears that the United Kingdom then was a very anxious competitor of the United States during this year, does it not?

Mr. SPRECKELS. Yes, sir. I would like to say that they took a corresponding amount of refined.

The CHAIRMAN. What do you mean by that?

Mr. SPRECKELS. They took that much less refined.

Senator JONES. They took that much less refined?

Mr. SPRECKELS. Than they did the previous year.

Senator JONES. Refined from where?

Mr. SPRECKELS. From this country. They took in 1917 387,000 tons, in the shape of refined sugar; in 1916 they took 647,000. So that accounts for the difference between the two.

Senator JONES. From whom did they take this refined sugar in 1916?

Mr. SPRECKELS. From the refiners here.

Senator JONES. In New York?

Mr. SPRECKELS. Yes, sir.

Senator JONES. And to that extent they were not competitors, then, for the raw sugar of Cuba?

Mr. SPRECKELS. Indirectly, yes, I should say, because we were required to buy that much more.

Senator JONES. You say "we."

Mr. SPRECKELS. I am speaking of the United States refiners.

Senator JONES. In other words, the United States refiners who were engaged in the export business?

Mr. SPECKELS. They are all engaged in the export business, I believe, excepting those on the west coast.

Senator JONES. But as to the refined sugar which you sold in 1916 to the United Kingdom, that Government had nothing to do with the purchase of the raw sugar which was the basis of the refined sugar, did it?

Mr. SPRECKELS. Yes.

Senator JONES. How?

Mr. LINDLEY. Mr. Chairman, I suggest that Mr. Spreckels answer his questions without being prompted.

Senator LODGE. I think he can consult if he desires to.

Mr. SPRECKELS. Just as you like. I do not care about it.

Senator JONES. Mr. Spreckels has been consulting Mr. Lowry as to a number of different details here.

Mr. SPRECKELS. They are details here, but if there is any objection to it, I will not do it.

Senator VARDAMAN. There is no objection at all; what we want is the truth about the matter.

The CHAIRMAN. I will say to Judge Lindley that I know from a previous experience we had here, on the lobby investigation, that Mr. Lowry is something of an expert on the question of these statistics; and that is, as I understand, all he has been telling Mr. Spreckels. If I thought he had been prompting him in any other way, I would have stopped it very quickly.

Mr. LINDLEY. Sometimes, in courts of justice, it goes to the question of the extent of the knowledge or information of the witness on the stand. And it gives the impression—but I do not wish to cavil over the matter.

Mr. SPRECKELS. I would like to make this statement, that I have come to Washington, not knowing for a minute that I was going to be put on the stand. I came here and was put on the stand the next morning without any preparation whatsoever. I had to wire to New York to get the little information I had, and some is not accessible because it is locked up in my desk. I have only asked Mr. Lowry to assist me in getting at the truth of it; that is all. You want the facts, and I am trying to give you the facts, rather than to say that I do not know.

Mr. LINDLEY. I am very sorry I interjected something that caused trouble. I supposed I was simply calling attention to an ordinary method of proceeding with a witness. I withdraw the suggestion. Proceed, Mr. Spreckels.

The CHARMAN. It did not make any trouble. It was a natural suggestion. But the explanation is due you, and due everybody.

(The preceding testimony was thereupon read by the stenographer, as follows:)

Senator JONES. But as to the refined sugar which you sold in 1916 to the United Kingdom, that Government had nothing to do with the purchase of the raw sugar which was the basis of the refined sugar, did it?

Mr. SPRECKELS. Yes.

Senator JONES. How?

Mr. SPRECKELS. If they bought it in refined shape, it was necessary for us to buy—I am speaking of the United States refiners—more raw sugar to supply that refined.

Senator JONES. That, of course, is apparent. But they had no direct connection with the purchase of the raw sugar?

Mr. SPRECKELS. Who?

Senator JONES. The United Kingdom?

Mr. SPRECKELS. Yes. They bought raw sugars.

Senator JONES. I mean this quantity of raw sugar which went into the refined sugar I referred to in the examination.

Mr. SPRECKELS. The British Royal Commission bought both. They bought the raw sugars, and they bought the refined sugars.

Senator JONES. That was in 1916?

Mr. SPRECKELS. Yes, sir; and 1917 also.

Senator JONES. In 1917 up to what time?

Mr. SPRECKELS. Up to October 1, I think.

Senator JONES. When this agreement was entered into?

Mr. SPRECKELS. When this agreement was entered into.

Senator JONES. Then that destroyed the competition between the American purchasers of the Cuban raw sugars, and the purchasers for the United Kingdom, did it not?

Mr. SPRECKELS. No; because they required both. They were still a competitor.

Senator JONES. After this agreement?

Mr. SPRECKELS. After the agreement?

Senator JONES. Yes.

Mr. SPRECKELS. No; not after the agreement.

Senator JONES. Then, entering into the agreement, or entering into the arrangement, with the United Kingdom reduced the number of competitors for Cuban sugar, did it not?

Mr. SPRECKELS. Yes, sir.

Senator JONES. And would that have a tendency to lower the cost of raw sugar?

Mr. SPRECKELS. I should say it would.

Senator JONES. I notice in these figures that France imported much more sugar from Cuba in 1916 than in 1917. Why was that, if you know?

Mr. SPRECKELS. I could not tell you. That was by agreement with the British Royal Commission, who buy for Italy and for France and for England. They buy for all the belligerents.

Senator JONES. Then when the British Royal Commission entered into an arrangement with the representatives of the United States, that eliminated as competitors not only the United Kingdom, but France and Italy?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. In that connection, then, if the control of the European market, so far as England, France, and Italy—and I suppose we might add Belgium—are concerned, and so far as Canada, Australia, and all the English possessions are concerned, was in the hands of the British Royal Commission, and if that commission and the American Government, or the American food controller, simply agreed upon the amount of sugar which England was to take, and which that commission was to take, and which the United States was to take, they could have absolutely fixed it so that the American sugar refiner would have been free to have gone into the Cuban market and bought that amount of sugar which was allotted to this country?

Mr. SPRECKELS. They could.

The CHAIRMAN. And enough could have been apportioned to this country to supply this country's wants?

Mr. SPRECKELS. It could.

The CHAIRMAN. And it would not have been necessary to have increased England's supply this year over what England's supply was last year, by the amount stated in this report which I put in the record, of 124,050 tons? It would not have been necessary to have done that?

Mr. SPRECKELS. That is true.

The CHAIRMAN. That is all.

Senator JONES. I would like to just pursue this a little further.

Assuming that it is important for the United States and her allies to obtain all of the Cuban sugar, how could that be done otherwise than by an agreement between the international committee, which

has been referred to in this testimony, and the representatives of the Cuban interests?

Mr. SPRECKELS. There are a good many ways of killing a cat. I do not know just offhand how many ways there are to do it.

Senator JONES. Under world conditions as you know them, with Mexico and Spain and other European countries entering into the Cuban market and seeking her sugar, would it be possible for the United States and her allies to control that entire supply other than by entering into an agreement affecting the entire supply?

Mr. SPRECKELS. Yes; I think it would naturally come to this market and to our allies—to England and to France.

Senator JONES. All of it?

Mr. SPRECKELS. Practically all of it. Of course, the wants of Mexico are few. They raise their own sugars, as do other countries. Spain raises some sugar.

Senator JONES. What about other European countries?

Mr. SPRECKELS. Sweden has some sugar. In Holland they have their own sugars. There is practically no competition.

Senator JONES. I see that in 1916 there went to so-called other European countries 31,418 tons. What countries are included in that term "other European countries"?

Mr. SPRECKELS. Other European countries, 31,000 tons in 1916, and only 6,500 tons in 1917.

Senator JONES. Yes. I ask you now what are the names of those countries denominated here as "other European countries"?

Mr. SPRECKELS. Norway, Finland——

The CHAIRMAN. Does not Greece, if you will allow me?

Mr. SPRECKELS. Switzerland. Most of it went to Switzerland, for the condensed-milk manufacturers.

Senator JONES. Did any go to Sweden and Denmark?

Mr. SPRECKELS. It went to Norway. Some went to Sweden. I do not know as to Denmark. I do not think any went to Denmark.

Senator JONES. Did those countries get all they wanted?

Mr. SPRECKELS. I think so; last year; until the embargo was placed on it; they got all they wanted.

Senator JONES. Who put the embargo on?

Mr. SPRECKELS. By proclamation.

Senator JONES. Of whom?

Mr. SPRECKELS. I believe the President of the United States issued that proclamation.

Senator JONES. Did the President of the United States issue any proclamation against the exportation of Cuban sugar to Sweden?

Mr. SPRECKELS. No. I withdraw that. I was thinking of this country. I do not know that there is any embargo upon Cuba.

Senator JONES. Is there not an embargo now?

Mr. SPRECKELS. I do not know.

Senator JONES. Has not the Cuban Government issued an embargo against the exportation of any sugar?

Mr. LINDLEY. From October 1.

Mr. SPRECKELS. To any country?

Senator JONES. Yes.

The CHAIRMAN. Do you mean any country in the world, or any neutral country?

Mr. LINDLEY. Any country in the world.
Senator JONES. Any country in the world?
Mr. SPRECKELS. We have been receiving sugars since October from Cuba.
Senator JONES. From what crop?
Mr. SPRECKELS. From this last crop—1917 crop.
Senator JONES. Had that been contracted for before you entered into this agreement?
Mr. SPRECKELS. No, sir. It was read here a moment ago, 20,000 bags had been bought of the old crop.
Senator JONES. By whom?
Mr. SPRECKELS. By the international committee.
Senator JONES. That is the old crop?
Mr. SPRECKELS. That is what I am speaking of.
Senator JONES I am speaking of the new crop.
Senator LODGE. The new crop has not come in at all, has it?
Mr. SPRECKELS. None of it has come in.
The CHAIRMAN. I understand, Senator Jones, you claim that Cuba has placed an embargo on her sugar?
Senator JONES. Yes.
The CHAIRMAN. How long would it be before Cuba would starve to death if she maintained that sort of an embargo?
Mr. SPRECKELS. Ten days.
Mr. LINDLEY. It has stood since the 1st of October, Mr. Chairman.
Mr. SPRECKELS. I thought there were no sugars on the 1st of October, no new sugars, and the old sugars had been coming forward.
The CHAIRMAN. The crop of 1917 is almost all in, is it not?
Mr. SPRECKELS. All in. If you were to put an embargo on sugars from Cuba, and not allow them to go to this country or any other country, it seems to me there would be no better way of starting a revolution in Cuba.
Senator JONES. Then, Mr. Spreckels, if the Cuban Government has placed an embargo on the exportation of Cuban sugar for the purpose of insuring the Cuban planter what that government considers a reasonable price for his sugar, it is important, is it not, that some agreement be entered into for the purchase of that sugar which is satisfactory to the Cuban Government?
Mr. SPRECKELS. I do not think so.
Mr. LINDLEY. I have another question on that same subject.
Mr. SPRECKELS. That is a question of judgment.
Mr. LINDLEY. Is it not a fact that an embargo was placed upon exports of all Cuban sugar, and its export interdicted at any price less than 4.75 by a proclamation of the President of Cuba under authorization of the Cuban Congress.
Senator JONES. I will ask you if you know anything about the embargo of the Cuban Government upon the exportation of sugar?
The CHAIRMAN. If that question is to be opened up and answered, it seems to me it would lead directly to what we discussed this morning, and would involve the whole question. I suggest that to Senator Jones, as the Senator who raised the point.
Mr. LINDLEY. I would like to make a suggestion to the committee. It can not be possible that Mr. Spreckels' testimony can go in as it is, without the explanation of what the situation was as to prices.

The proclamation of the President of Cuba and the price-fixing proposition is public property; there is no diplomatic secret about that. That is a fact, and it is a fact we had to contend with in the determination of the prospective price that might be paid to Cuban planters, the bars put up by the Cuban Government and the fixed price by the Cuban Government, and I can see no violation of any ethics in giving that fact to go into the record. It was a price, if your chairman will inquire, which is less than the price that ultimately was tentatively agreed upon, but has not gone into effect. It has been reduced to 4.60 by consent of the Cuban Government.

The CHAIRMAN. The Senator, who is a member of the Foreign Relations Committee of the Senate, states he objects to discussing the action of the Cuban Government, and, so far as I am concerned, it seems to me, speaking for myself, that if this question is gone into it involves other questions lying back of it that Senator Jones suggested this morning we ought not to go into.

Senator VARDAMAN. I suggest that you add that after conference with the State Department we determined not to go into it. There are some facts in there that I myself would like to have explained. But it was understood in the executive session this morning that we would not go into a discussion of that. I want to say that there is not a fact or a circumstance connected with this investigation that I should not like to see given to the public. All in the world that I desire is that the truth may be known and the reason for the action or conduct of men who are performing public functions. We are not here to try anybody. We are not here to exculpate or convict anybody of anything. We want the facts, in pursuance of the resolution which was adopted by the Senate charging this committee with the responsibility of making the investigation. But it has been determined by the committee, in executive session, that we had better not go into that phase of it, on account of some international questions that will arise.

Senator KENYON. This is a public proclamation, is it not, however, of the President of the Republic?

Mr. LINDLEY. Yes, sir.

Senator KENYON. There can not be any particular secret about it.

The CHAIRMAN. So far as I am concerned, I believe, before we get through, we will be involved in it. As far as I am concerned, I think it all ought to be laid right out open. But there seem to be other men, who are certainly as patrictic as I am, of long experience, who entertain another opinion, and until that is changed I think we had better not go into this question. If the proclamation of the President of Cuba is in existence, all we need to do is to have that fact put into the record. You will be permitted to hand it to the committee. Judge Lindley. We will put it in for you.

Senator JONES. I would like to state that it was upon my suggestion that the question of withholding examination as to the situation in Cuba, and dealing with Cuba, was discussed. But in the testimony of this witness he has expressed the opinion—and it appears in his testimony in various ways—that the fixed price of $4.60 for Cuban sugar was an exorbitant price, and it is intimated that it was done for the purpose of raising the price of other sugars. I believe, myself, that this question ought not to be gone

into. But if it is not gone into, then I think any criticism of those who have participated in fixing the price of this Cuban sugar at $4.60 should be withdrawn.

Senator VARDAMAN. Who has criticized it?

Senator JONES. It appears all through this testimony, if I am able to get the gist of it.

The CHAIRMAN. Well, I do not agree with that proposition at all. The testimony thus far discloses the fact that this price was fixed by Mr. Rolph, and by the committee with which he is connected, in consultation with Cuban sugar planters. It may be that the President of Cuba issued a proclamation that they would not allow sugars to be shipped out, and that they issued another proclamation, or in the same proclamation said, it should not be shipped out for less than a certain sum. If they did that, that is simply a fact, and the question then remains how much that proclamation amounted to, and everybody with a modicum of common sense knows that Cuba could not exist except for the sale of her sugar, that she could not maintain a position of that kind very long. The Cuban planter has to sell in order to live.

Mr. FREEMAN. Mr. Chairman, you have given permission to the counsel for the Food Administration to make a statement. I ask you to permit me to make a short statement on behalf of Mr. Babst, and the American Sugar Refining Co.

The CHAIRMAN. No, they are not on trial.

Mr. FREEMAN. They are on trial.

Mr. LINDLEY. I have not gotten through, yet.

Mr. FREEMAN. May I ask permission——

The CHAIRMAN. You sit down, sir, and be quiet.

Mr. FREEMAN. May I ask permission to have you ask the witness two questions?

The CHAIRMAN. You will be heard in your proper time. Judge Lindley, proceed.

Mr. LINDLEY. I was about to ask another question. I do not know how far the ruling of the chairman is going to preclude it.

The CHAIRMAN. You ask it, and we will try and pass upon it.

Mr. LINDLEY. I wanted to ask the witness if he did not know that in order to reach the tentative price of $4.60 for Cuban sugar, it was necessary to get the Cuban Government to practically take a back step on its $4.75 price.

Senator JONES. I agree with the chairman of the committee, or the suggestion of Senator Lodge, as to the propriety of going further with this examination.

Senator LODGE. Mr. Chairman——

Mr. LINDLEY. You mean on that line? If the chairman thinks and the committee expresses itself that way I will have no further questions on that line.

Senator LODGE. Mr. Chairman, I think it in the highest degree undesirable that this committee, or any other committee, should undertake to examine the conduct or motives of a foreign and friendly government. It is enough for us to know what was agreed. We may assume that the Cubans, either directly or through or by action of the Government, if a price was to be fixed, would endeavor to get the best price they could. That, of course, is human nature.

We may assume that they tried to get the best price they could, and I think it would be most undesirable for us to enter into any discussion of the conduct of the Cuban Government.

Mr. LINDLEY. Well, of course, if the chairman feels that we should be so tender of the feelings of a foreign government that puts up the bars and makes it impossible for us to buy sugar at a certain rate, neither the committeeman nor the chairman should impugn the motives of men who are trying to do the best they can; and you put us in the position now of being punished for having tried to do our best, because you say we can not go into the question of why we did it or what was necessary to be done.

The CHAIRMAN. Assume, Judge, that you were under no legal obligation to go to Cuba at all or to make any agreement, and now assume that the Cuban Government had made this order; you did not have to go to them to make any agreements. All you had to do was to let the situation alone. It seems to be true that the Cuban Government never asked this.

Now, about fixing the particular price. It had become finally evident that somebody intended to fix a price for them, and they then naturally would begin to be interested in the question. I do not think it is material. Are there any further questions?

Mr. LINDLEY. I would like to ask the chairman one question. Did you suggest that under these conditions we could have left the Cuban sugar alone?

The CHAIRMAN. Yes; undoubtedly.

Mr. LINDLEY. And the balance of the world could have let it alone?

The CHAIRMAN. Yes.

Mr. LINDLEY. And the people of the balance of the world could have starved for sugar?

The CHAIRMAN. Oh, I suggested this in a colloquy with you that perhaps ought not to have taken place. If the British royal commission controls the demand of practically all of Europe that has any demand and practically all of the world outside of the United States that has any demand, and if we at home here control our own demands, and if Cuba has got sugar to sell, and its life and death depend upon the sale of that crop, and the sale of it promptly, then we were not in a position to be dictated to by Cuba, but Cuba was absolutely at the mercy of the British royal commission and of the United States; there is not any question about that. There can not be any question about it.

Mr. LINDLEY. I have a number of other questions to ask.

The CHAIRMAN. Go ahead.

Mr. LINDLEY. If I may.

The CHAIRMAN. Yes.

Mr. LINDLEY. When I stated that I had a few fundamental questions to ask it was at the juncture we had reached, and not with the expectation that the witness was through. This is to be addressed to Mr. Spreckels: What prices have been paid for raw sugar from October 17 to date?

Mr. SPRECKELS. May I answer that in that table?

Senator JONES. That, I believe, is to be put into the record in future, in the schedule of prices that has been already called for.

Mr. LINDLEY. My inquiry with reference to this price proposition and the relationship of the different refineries and the different classes of produced sugars is all predicated upon a definite opinion about these prospective prices, and I shall ask the privilege of having Mr. Spreckels return when he gets those figures, and your allowing me to cross-examine him. I do not want to put him to any unnecessary trouble, but, clearly, I would like to have the privilege from the committee of withholding further suggestions to Mr. Spreckels until those figures are presented.

The CHAIRMAN. All right.

Mr. LINDLEY. I have one more question, Senator: Why did you not buy the sugar which went to England before the food control went into effect?

Senator JONES. I will ask that question.

Mr. SPRECKELS. Why did we not buy all the sugars——

Mr. LINDLEY. Why did you not buy the sugar that went to England before the food control went into effect?

Mr. SPRECKELS. Because we all understood we were going to be regulated by the Food Commission—the Food Administrator—and we did not know what the Food Administrator was going to do about the prices.

Senator JONES. Understood it since what time?

Mr. SPRECKELS. Since last May. In last May we offered the services of our plant to the Government free of charge.

The CHAIRMAN. That is in that letter you put in.

Mr. SPRECKELS. It is all stated in that letter.

Senator JONES. How much sugar have you exported—I mean roughly speaking—since last May?

Mr. SPRECKELS. I have a memorandum here. You asked me to furnish that, and I shall furnish that when I return on Wednesday.

Senator JONES. Just for the purpose of getting a general idea. Of course, that will come in——

Mr. SPRECKELS. I could not say, offhand. I do not remember.

Senator JONES. But it has been a considerable amount, has it not?

Mr. SPRECKLES. Yes; a considerable amount, but I could not tell you the quantity.

Senator JONES. Yes.

Mr. SPRECKELS. I should like to look up my statements.

Senator JONES. Oh, we will bring that out after you get your table in. That will be all right.

Mr. LINDLEY. I would like to know if the witness understood that we fixed that duty from the 1st of October.

Senator JONES. He is going to bring that in for the whole year.

The CHAIRMAN. There was a request here to have a question asked, made by the representative of Mr. Babst. Have you a question you wanted to propound?

Mr. FREEMAN. Yes; I did have some questions, which I will file with you and suggest that you put them to the witness [handing paper to the chairman].

The CHAIRMAN. This question is suggested: Do you not know that Prof. William Marshall, formerly head of the mathematical department of De Pauw University, has been selected by the United States

Food Administration as comptroller of the International Sugar Committee? Do you know about that?

Mr. SPRECKELS. I am so informed.

The CHAIRMAN. The second question is: Are you aware that the International Sugar Committee has adopted the following resolution in regard to his appointment [reading]?—

Resolved, That Mr. William Marshall, controller and chief statistician, be authorized to employ such clerical and statistical assistants and purchase such supplies and equipment as he may find necessary, the salaries of such employees, however, to be subject to the approval of the committee.

Mr. SPRECKELS. I am not a member of the International committee, and I know nothing of their records or of their resolutions.

The CHAIRMAN. In order to save repeating it hereafter, Mr. Freeman states, as an attorney, that that is the form of the resolution. Just let it go in as an admitted fact, with the right to rebut it if it is not correct.

Here is another question: Were you not consulted by Mr. Babst in regard to the appointment of Mr. Henry O. Mott as buyer for the International Sugar Committee, and did you not say to Mr. Babst that this appointment was satisfactory or agreeable to you?

Mr. SPRECKELS. Yes, and no. I will answer both ways. I was very anxious to get the machinery of the Food Administration to work after we had entered the contract with the Food Administrator. One day Mr. Babst told me that they were doing everything they could, and that he thought of taking with him some of his men to help him out as an accommodation. When I learned that they had taken everybody from the American Sugar Refining Co., from the watchman and doorkeeper and stenographers to the secretaries and the buyers, including Mr. Mott of the American Sugar Refining Co. at a salary of $20,000 per annum, I strenuously objected to it.

Senator KENYON. That was Mr. Mott's salary, $20,000?

Mr. SPRECKELS. Yes.

The CHAIRMAN. The next question is: Did not the Federal Sugar Refiining Co. sign a letter dated August 21, 1917, addressed to the Congress of the United States, relating to the action of the Senate Finance Committee in recommending the repeal of the drawback. containing the following statement:

The threatened action has already so disturbed the world's sugar market as to have increased the price of Cuban raws almost the equivalent of the 1½ differential, and so largely contributed to a corresponding rise in the price of refined sugar for domestic consumers. In other words, the increase now amounts to over $7,000,000 monthly to domestic consumers.

More serious still, the threatened action of cutting off the United States refined from export has caused such heavy and persistent buying of raws in Cuba by foreign countries as to create temporarily a new and troublesome situation for the United States. The action of the Senate committee was given an unexpected interpretation in foreign countries, resulting in a rush of buying in Cuba. European buyers, having notice of an increase in the price of refined sugar for export from the United States of 1 cent duty and one-half cent excise, have purchased immense quantities of raw sugar in Cuba for direct consumption or for refining outside of this country. This increased purchase of Cuban raws is exactly equal to the decrease in refined sugar to be exported from this country in 1917, as against actual exports of 1916.

No better illustration could be given of the delicacy of the world situation. It must be handled with corresponding delicacy or United States consumers will pay dearly.

Did you write that?

Mr. SPRECKELS. That was the general letter, and in substance I think it is about correct. I do not know that I signed this particular letter. The phraseology I do not recall, but I did what other refiners did, appealed to Congress not to abrogate the drawback.

The CHAIRMAN. Was it abrogated?

Mr. SPRECKELS. It was not.

The CHAIRMAN. Senator Jones, did you have another question?

Senator JONES. There have just been handed to me some circulars purporting to have been issued by the Federal Sugar Refining Co., regarding the state of the sugar market on July 2, July 30, August 6, August 16, August 31, and October 24, 1917. I should like to have the witness look at those and state whether or not they were issued by authority of the company of which he was president.

Mr. SPRECKELS. These statements are made by Mr. Lowry, who edits these. Mr. Lowry is here, and I would like very much if you would put him on the stand, and he will explain anything you want.

Senator JONES. I just wanted to know whether they were issued by the company of which you are president?

Mr. SPRECKELS. Yes; they have my sanction.

Senator JONES. Then I will put these in evidence.

The CHAIRMAN. I suggest, Senator, that you look them over and see if there is anything else that ought to go in besides those portions marked.

Senator JONES. Very well, I will do it.

The CHAIRMAN. We will consider them all in, and we will print such portions as the committee thinks pertinent.

Senator JONES (after further examining papers). Put it all in.

(The circulars referred to are here printed in full in the record, as follows:)

EXHIBIT No. 29.

(Federal Sugar Refining Co., Smith & Schipper, agents, 91 Wall Street, New York.)

SUGAR MARKET REVIEW.

NEW YORK, *July 2, 1917.*

Raw sugar.—We have had a strong and advancing market since our last review. Sellers who, as previously pointed out, have had the situation pretty much in their own hands, have been able to take advantage of the combined buying of raw and refined sugar for both foreign and domestic account to advance prices. Saturday was a holiday, but on Friday Cubas from store and for July-August, sold at 5¼ cents, cost and freight, the equivalent of 6.52 cents duty paid for 96° centrifugals, and 4,700 tons full duty paying sugars, San Domingos, Perus, and Venezuelas sold at 5¼ cents, cost and freight. To-day further business was done at 5½ cents, cost and freight, as follows:

Thirty-five thousand bags Cubas, at 5½ cents, July shipment, to Federal Sugar Refining Co.

Thirteen thousand bags Cubas, 5½ cents, August clearance, to Federal Sugar Refining Co.

Ten thousand bags Cubas, at 5⅝ cents, July shipment, to New Orleans.

There are further buyers of Cubas for shipment to New Orleans at this price, and it is generally believed a rather larger quantity was sold. At the close there are some sugars in the early July positions offered on this basis. Confirmation is obtained of a purchase for European account of 50,000 tons Cubas, for July-August loading, at 5 cents f. o. b. Cuba. With a further buying inquiry at this figure, which is about equivalent to 5½ cents cost and freight New York, that sellers should show confidence in their position is not surprising. The simple fact is that Cuba is getting to the end of her crop and avail-

able unsold supplies are steadily diminishing. On the other hand there is no slackening in the demand. Refiners in the United States are having a good distribution of refined sugar, and there is no prospect of any let-up. Invisible stocks in the hands of the distributing trade throughout the country are comparatively small. Consumption is increasing with seasonable weather, and prospects favor a rather more than normal demand for preserving purposes. Europe is, of course, being more conservative in its use of sugar, but destruction of stocks in transit, as a result of submarine attacks, must be replaced by new purchases, and the combined buying brings us to rather an acute situation, which will be difficult to work out, and makes market forecasting almost impossible. While we can form some idea as to what our requirements will be, no one can tell how much raw sugar and American granulated will be needed to fill Europe's wants now that importation from Java is so difficult. Since January 1, according to Willett & Gray's figures, refiners at the Atlantic ports melted 152,000 tons less than last year, and for the same period they have exported 169,000 tons less, so that about 17,000 tons more have gone to the domestic trade than last year. In New Orleans meltings are 34,000 tons more and exports 13,000 tons less than in 1916. At the Atlantic ports refiners' stocks at 11,000 tons are 81,000 tons less than on June 27, 1916, while refiners' stocks in round figures are 140,000 tons more.

Cuba.—Our agent in Habana, Mr. H. A. Himely, cables us as follows:

	1917, six ports.	1916	
		Six ports.	Out ports.
Receipts	13,589	14,500	12,000
Exports	40,117	38,500	10,000
Stock	523,025	492,000	184,000
Centrals (6 ports)	2	14	.....

	1917	1916
		Tons.
Exports north of Hatteras	24,057	36,500
Exports New Orleans	6,502	7,500
Exports Europe	8,272	4,500
Exports Savannah	1,286	.....

A comparison with previous years gives the following:

Crop.	Centrals.	Corresponding week.	Outturn.
1916–17	8	2,135,937	[1] 2,900,000
1915–16	14	2,857,973	3,006,624
1914–15	14	2,344,773	2,582,815
1913–14	7	2,407,721	2,596,567

[1] Estimated.

There is no news of special interest from the island, which is natural at this season of the year. With few mills at work, the weekly receipts exceed those of the corresponding week in 1916, so that gradually we are catching up, but whether or not last year's total will finally be reached still remains a matter of conjecture. Rains are quite general, and as a result yields are decreasing, but prices are very profitable and grinding is proceeding wherever it is possible.

Europe.—The British commission has appeared as a buyer of both raw and refined sugar, and other countries have also participated in the export business that has been done. For export the asking price on granulated is now 7.25 cents for August shipment.

Domestic beets.—Word has just been received to the effect that Colorado factories have advanced their price to 7.00 cents.

Refined sugar.—There has been no change in market quotations since our last review. The Federal Sugar Refining Co. and Warner Sugar Refining Co. quote 8 cents, shipment in turn; Arbuckle Bros. and B. H. Howell, Son & Co. are withdrawn entirely from the market, and the American Sugar Refining Co. quote 7.50 cents, but at this price are selling only in small lots. All refiners are oversold and delays in shipment run from two to three weeks.

Yours, very truly,

SMITH & SCHIPPER.

FRANK C. LOWRY.

EXHIBIT No. 30.

[Federal Sugar Refining Co., Smith & Schipper agents, 91 Wall Street, New York.]

SUGAR MARKET REVIEW.

NEW YORK, *July 30, 1917.*

Raw sugar.—A higher market was established on Friday, when, after 33,000 bags Cubas for first half August and August shipment sold at 5.15–16 cents and 10,000 bags Cubas from store at 6.95 cents, a sale was made of 5,000 bags Cubas, first half August shipment, at 6 cents c. i. f., the equivalent of 7.02 cents, duty paid, for 96° centrifugals. The market closes strong to-day and the sugars that were offering at 6 cents have been cleaned up by the following sales:

22,500 bags Cubas, first half August shipment, to Arbuckle Bros. at 6 cents c. & f.

30,000–50,000 bags Cubas, August shipment, to American Sugar Refining Co., at 6 cents c. & f.

20,000 bags Porto Ricos, at 7.02 cents c. i. f., August shipment, to American Sugar Refining Co.

There is a confident undertone to the market, just as there has been recently on each succeeding advance. Underlying conditions are unchanged and continue to favor sellers. Messrs. Willett & Gray report stocks in the United States and Cuba together at 807,596 tons, against 844,816 tons, a decrease of 37,220 tons. Total stocks in all hands at the Atlantic ports on July 25 they estimate at 222,274 tons, a further decrease of 64,769 tons from last year. In considering available supplies from now until the 1st of January we must not overlook the fact that in other years we have been receiving, mostly in the fall months, in the neighborhood of 120,000 tons from the Philippines. This year, as far as we can learn, little or none of this sugar is now coming forward, the difficulty being the matter of freights, just as it has been on Java sugars needed in Europe. At the moment there appears to be no way of overcoming this condition. At the Atlantic ports refiners have melted 1,637,000 tons against 1,737,000 tons last year, so that we are just 100,000 tons behind the figures for 1917. Inasmuch as exports of refined sugar to date at 231,355 tons are 162,989 tons less than in 1916 to the same period, it is apparent that there has been an increased distribution to the domestic trade. New Orleans shows a big increased meltings by refiners, being estimated by Willett & Gray at 378,000 tons, against 290,000 tons last year, while exports of refined are only 6,713 tons, against 18,367 tons in 1916.

Cuba.—Our agent in Habana, Mr. H. A. Himley, cables us as follows:

	1917		1916	
	Six ports.	Out ports.	Six ports.	Out ports.
Receipts	6,055	19,848	10,000	8,000
Exports	47,281	32,077	25,500	13,500
Stock	367,823	146,540	386,000	141,000
Centrals grinding	(1)	16	8	.....

[1] Out ports.

	1917	1916
	Tons.	*Tons.*
Exports North Hatteras	30,732	20,000
Exports New Orleans	4,736	3,000
Exports Europe	42,276	16,000
Exports Savannah	1,614	.....

A comparison with previous years gives the following:

Crop.	Centrals.	Received to date corresponding week.	Outturn.
1916–17	16	2,848,993	[1] 2,900,000
1915–16	8	2,917,516	3,006,624
1914–15	9	2,420,109	2,582,843
1913–14	4	2,468,831	2,596,567

[1] Estimated.

It will be noted that for the first time in many months we can give the figures for the out ports as well as the six ports. Generally speaking, the weather has been favorable.

Under date of July 23, Mr. Himely writes as follows:

"Since our last report the weather has continued much the same, rains fall daily in many places in all sections of the island, and the cane is generally in very fair condition, although some localities would be the better for a heavier rainfall, as the weather was dry in the early part of the summer. There are still some 15 centrals in Oriente Province which have not finished their crop. None are grinding in any of the other Provinces. By reason of the interruption to communications which prevailed in the two eastern Provinces during the late insurrection and the demoralization which accompanied it in some quarters it had been impossible for us to obtain reliable information from all sources, so that, outside of the six principal ports, our figures were incomplete. We have now received the information which was lacking and are able to give, in its proper place, the total receipts, exports, and stock of sugar in all the ports. Some slight corrections may still have to be made in the distribution of the exports without altering the total amount exported.

Export from Cuba to—	Crop 1916–17.	Crop 1915–16.
Ports north of Hatteras	1,214,463	1,462,706
New Orleans	295,332	229,226
Galveston	28,747	26,109
Savannah	2,515	.....
Canada	.....	.....
United Kingdom	562,508	436,308
France	47,493	109,111
Spain	25,513	15,503
Other European ports	6,593	25,294
Mexico	4,417	147
South America	.....	71
Total	2,187,581	2,304,473

"We have had an active and advancing market during the past week. The improvement in the New York market brought our shipping houses into the market ready to pay an advance over previous prices, and about 112,000 bags have been sold during the week, as high as 5.25 cents f. o. b. having been paid for centrifugals testing 96.30 and 5.23 cents f. o. b. for 96 per cent. While the merchants are not willing to pay the latter price at the close, holders are very firm in their views and are believers in a still higher market, one argument in favor of their opinion being that it is generally understood that the greater part of the stock of sugar in the ports has aready been sold."

Europe.—There is nothing new from abroad.

Domestic beets.—Conditions remain unchanged.

Refined sugar.—As was to be expected, prices have shown an advancing tendency. This morning Arbuckle Bros. advanced to 8.50 and the National to 8 list; but so far as selling is concerned, they are for the present withdrawn. The American Sugar Refining Co. are nominally 7.90 cents, but are severely restricting sales. The Federal quoted 8.50 cents for shipment as soon as possible, delays ranging from two to three weeks. The Warner Sugar Refining Co. is withdrawn from the market.

Yours, very truly.

SMITH & SCHIPPER.

FRANK C. LOWRY.

EXHIBIT No. 81.

[Federal Sugar Refining Co., Smith & Schipper, agents, 91 Wall Street, New York.]

SUGAR MARKET REVIEW.

NEW YORK, *August 16, 1917.*

Raw sugar.—Since our last review we have had a steady market, with a decidedly better undertone. No sales were reported on Tuesday, but on Wednesday the Imperial Sugar Co., of Galveston, Tex., bought 10,000 bags Cubas, for August loading, at 6¼ cents f. o. b. Cuba. This would be equivalent to, say, 6⅝ cents cost and freight New York, and Canadian refiners bought 6,500 bags San Domingos, afloat, at 6¼ cents c. i. f. Today a small lot of 6,500 bags Cubas, for prompt clearance, sold to the Federal Sugar Refining Co., at 6⅝ cents cost and freight, the equivalent of 7.39 cents duty paid for 96-degree centrifugals, and at this price there are further buyers, with sellers holding out for higher prices. and offering but a limited quantity at 6½ cents cost and freight. Prices on the exchange have been steady up until a little while before 2 o'clock to-day, when it was announced that at the suggestion of Mr. Hoover, trading here for the present be discontinued. The general opinion in the trade is that this will have no effect on actual values of sugar at this time, and it is pointed out that exchange values have recently been less than those quoted in the open market, due to the fact that comparatively little sugars remain unsold in Cuba, and the holders of this stock were very firm in their ideas, and, on the other hand, values were so high that the exchange interests found little opportunity to interest new purchasing for long account. The figures for the four ports, which we give below, are interesting, and it will be noted that receipts are approximately 30,000 tons less than meltings, and if this ratio was continued, our entire stock at the United States ports would be exhausted in five weeks.

Figures for the United States four ports August 14 were:

	1917		1916	1916
	For week.	Last week.		
Receipts	26,856	47,673	26,633	41,390
Meltings	56,000	60,000	51,000	68,000
Total stock	147,647	176,791	266,672	324,921

Cuba.—The situation in the island seems to be about the same as heretofore. The strong statistical position of sugar is fully recognized by the owners of the unsold supplies, and advices from the island indicate that the few remaining holders are too firm in their views to part with their sugar, excepting at full prices. Complaints come from a good many sections in the eastern part of Matanzas, Santa Clara, and Camaguey Provinces that there has not been enough rain and that the cane will suffer. The rainfall, as it always is, has been very irregular, and in some instances, which may be more or less isolated, colonos have estimated that the dry weather will cause a shortage in their district of 40 per cent. Nevertheless, there are well-informed people who feel that the dry weather recently experienced will cause some shortage in next year's crop. On the other hand, the revolution that decreased the present crop several hundred thousand tons is not to be expected next year. Estimates of unsold sugar at the Cuban ports for the early part of August are in the neighborhood of 75,000 tons. To this, of course, must be added the island's receipts from that time to the balance of the crop, which may run 100,000 tons.

Europe.—We are without any advices from abroad of special interest.

Domestic beets.—There has been no change in the situation.

Refined sugar.—All prices and market conditions remain unchanged, and the different refiners are three weeks or more oversold. For the most part the trade have about three weeks' supply on the average, by which it will be seen that September wants are not covered, and while it is more or less "spotty," there is a good, steady buying inquiry.

Food control.—The food-control bill has become a law, and the announcement comes from Washington that Mr. Herbert Hoover has been appointed food controller, and that on sugar he will have associated with him Mr. George M. Rolph, formerly the general manager of the California & Hawaiian Sugar Refining Co., of San Francisco, a refinery operated by the Hawaiian planters. No announcement of policy has as yet been made, and the fact that the bill does not give authority to buy and sell sugar, as was done with wheat, is a disappointment to some, leading to the belief that it will be more difficult to exercise a proper control over sugar. Effort will probably be made to overcome any defect of this kind through the licensing feature. The refining interests will be in Washington to-morrow to confer with the Council of National Defense with regard to the purchase of supplies for the Army and Navy.

Yours, very truly,

SMITH & SCHIPPER.

FRANK C. LOWRY.

EXHIBIT No. 32.

[Federal Sugar Refining Co., Smith & Schipper, agents, 91 Wall Street, New York.]

SUGAR MARKET REVIEW.

NEW YORK, *August 31, 1917.*

Raw sugar.—We have had a steady but hesitating market since our last review. On Tuesday the American Sugar Refining Co. bought 1,500 bags Porto Ricos for prompt shipment, at 7.02 cents delivered, and on Wednesday they bought 22,000 bags Cuba, for prompt and first half September shipment, at 6 cents, cost and freight, the equivalent of 7.02 cents delivered; and 8,000 bags Porto Ricos for first half September shipment at the same equivalent. Canadian refiners paid 6 cents c. i. f. New York for 3,000 bags San Domingos. Since then no business has been reported. Yesterday being farewell day to the New York troops, was to a great extent a holiday in the trade, the Federal Sugar Refining Co.'s offices being entirely closed. To-day there is a waiting tone to the market. Refiners who are in need of near-by sugar would pay last prices and possibly some premium, but none are available. No buying interest is shown in distant sugar. On the other hand, sellers are quite indifferent, and either offer moderately, at 6 cents, cost and freight, or not at all, which further confirms what was already known, viz, that there will be very little sugar to come from Cuba that is now unsold.

Based on supply and demand, the situation will certainly be an interesting one to work out. With stocks at the United States four ports reduced to 119,000 tons, with possibly 80,000 tons afloat, gives a total of 199,000 tons. Cuban stocks, in round figures, are 300,000 tons, of which Mr. Himely estimates four-fifths, or 240,000 tons, are sold to Europe and the United States. If Europe is to get 140,000 tons, this would leave roughly 160,000 tons for the United States. To this we must add perhaps 80,000 tons that is to be made, which of course assumes that the United States will get all of this, making a total of 240,000 tons still available from Cuba. This, added to the stocks spot and afloat, gives us roughly 440,000 tons. Odds and ends from Porto Rico, Hawaii, and elsewhere may amount to another 40,000 tons, making a total of 480,000 tons. Allowing average meltings at the four ports of only 50,000 tons, this gives us but little over nine weeks' supply of sugar. The only other supplies of cane sugar available between now and the 1st of January will be the supply from Louisiana. These figures may not be exact, but they are approximately correct, and for once it looks as though we may have reached the often talked-of but never yet realized point where cane supplies would be exhausted. A further cutting down of meltings would of course make the stock last longer, but can the trade be supplied with any reduction in meltings, especially in view of the increased amount of preserving anticipated for September and October?

Notwithstanding the increased distribution of sugar for the first six months of the year, the distributors, wholesale and retail, do not seem to have much sugar on hand at the present time, so that if there is any accumulation of stock it is with the consumer. To what extent these invisible supplies will carry us over this period of stringency remains to be seen and is impossible now to estimate. Certainly with such a situation confronting us, it is to be hoped that nothing will happen to delay the harvesting of the beet crop and that sufficient cars will be available to move these sugars over an extended territory as fast as produced.

Figures for the United States four ports August 29 were:

	1917		1916	1915
	For week.	Last week.		
Receipts	36,267	45,440	34,632	35,548
Meltings	53,000	57,000	33,000	57,000
Total stock	119,354	136,087	259,898	281,680

Cuba.—There is nothing new in the situation from the island. What price sellers will decide to accept for the few remaining unsold stocks in the island remains to be seen. Although all these stocks are needed, refiners are certainly in no mood to pay a full price for same.

Europe.—There is nothing new to report.

Domestic beets.—The situation remains unchanged.

Refined sugar.—All prices remain unchanged. The expectation of lower prices later on has resulted in a complete cessation of buying on the part of both the retail and jobbing trade. These interests are now engaged in reducing their stocks to an absolute minimum. Consumption is still going on, and with the disposition to preserve extensively, there is no reason to expect any falling off for at least the next six weeks, so with the trade going out of stocks at this time it is possible that during the latter part of September or the first part of October there may be a short period when it will be difficult to obtain the necessary supply of sugar when needed. All this, however, is very problematical, and it is an old axiom in the trade that when buyers begin to scrape the bottoms of the barrels before making further purchases, they are able to stay out of the market for a longer time than theoretically seems possible.

Food control.—Refiners will be in Washington next Wednesday to confer with Mr. Hoover and Mr. Rolph with regard to the sugar situation. Meantime a war emergency food survey is being taken by the Department of Agriculture, which, when completed, will show exactly the amount of sugar in the country on August 31. This information will, of course, be very helpful to the Food Administration, which is endeavoring to carry us through the period of stringency this fall and prevent excessive prices. It would now seem that 1918 will be an easier year to regulate, as with the increased output of sugar in Cuba and other producing countries, and a reserve stock accumulating in Java, Philippines, and Formosa, which can be moved as soon as ships are available, the problem should be greatly simplified. However, it will be time enough to talk about this later on, and meanwhile there is ample to occupy our attention in the present position.

Yours, very truly,

SMITH & SCHIPPER.

FRANK C. LOWRY.

EXHIBIT No. 33.

[Federal Sugar Refining Co., Smith & Schipper, agents, 91 Wall Street, New York.]

SUGAR MARKET REVIEW.

NEW YORK, *October 24, 1917.*

Raw sugar.—There is very little to say about our situation here. The sugar commission is willing to continue purchasing Cubas on the basis of 5¼ cents cost and freight, the equivalent of the prevailing spot quotation of 6.90

cents duty paid, but the holders of any unsold stocks are reluctant to part with them at this figure. It is only occasionally a lot comes out, and if any business has been done recently, it is not reported. In view of the way the statistical position has worked out, based on supply and demand, it is interesting to refer back to our reports of the latter part of August and early September, in which it was pointed out that apparently supplies of cane sugar would last until the first part of November. As to the present situation, the figures which we print below of supplies in Cuba and the United States speak for themselves.

FIGURES FOR THE UNITED STATES FOUR PORTS OCTOBER 24.

Messrs. Willett & Gray have not yet published their figures for the four ports, but the figures for the week are:

	Tons.
Receipts	12,710
Meltings	25,000
Stock	44,210

Cuba.—Our agent in Havana, Mr. H. A. Himely, cables us as follows:

	1917		1916	
	Six ports.	Outports.	Six ports.	Outports.
Receipts	300	1,874	1,500	.....
Exports	7,006	9,506	24,500	11,500
Stock	28,174	24,584	148,500	44,500
Centrals grinding	1	.....	.....	.....

	1917	1916
	Tons.	*Tons.*
Exports north Hatteras	6,378	29,500
Exports Europe	7,817	3,000
Exports Canada	2,143	.....
Exports Mexico	174	.....
New Orleans	.....	3,500

A comparison with previous years gives the following:

Receipts to date.

Crop.	Centrals.	Corresponding week.	Outturn.
1916-17	1	2,993,022	[1] 2,900,000
1915-16	.....	2,977,043	3,006,624
1914-15	1	2,537,340	2,582,845
1913-14	.....	2,552,413	2,596,567

[1] Estimated.

Mr. Himely writes as follows, under date of October 15:

"The weather during the past week has been similar to that of the previous week, very favorable for the cane, which continues to show up in good form all over the island. The temperature remains rather high, and now that the ground is well saturated with water we would like some cooler weather from now on so that the cane might go on maturing and gaining in sucrose at the same time that it increases in tonnage. The labor question is regarded as a serious one this year, with more cane to harvest and a great scarcity of laborers. The usual flow of immigration of other years will result very much smaller for this crop owing to the present conditions of the war. This will mean higher wages than now being paid and consequently a further increase in the cost of production. The dullness of the market during the week has reached a point where not a single sale of sugar has been reported from any of the six principal ports. Holders of the few lots of sugar that still remain in first hands will not sell, preferring to wait an improvement in the New York market."

Europe.—No definite action has as yet been taken by the Food Administration in Washington with regard to possibly 12,000 tons to 15,000 tons granulated sugar which refiners have under contract with neutrals, except that shipment of same is prohibited. At one time it was thought that this sugar would be sold to the British commission for shipment to France, where it is understood supplies are very badly needed, but nothing has been concluded and the sugar is still held in New York for account of the owners. In view of the present stringency it is naturally desirable that something should be done at an early date, so that it will be known definitely that this sugar is to go abroad or have it released for sale to the domestic trade. At present it is tied up and is doing no one any good.

One of our correspondents abroad writes us, under date of September 17, as follows:

"Javas are still firm, although it has been stated lately that freights are easier. Some of the factories have finished grinding, which is very early, but the crop is expected to reach the large total of 1,800,000 tons. Shippers to India are in a better case, as it is reported that five Dutch steamers have been put on for British India, and the shipments of August and September to Bombay and Karachi, and in a smaller degree to Calcutta, will now be possible against outstanding contracts.

"There is nothing offering in near positions to Bombay and Karachi and business to Calcutta is only possible here and there by giving orders to cable. We have just recently bought 800 tons whites in this way, October–November shipment, c. f. Calcutta, at 23s. 6d.

"The problem remains unsolved as to the difficulty of shipping and the storing of the large quantity of sugar which is now being made. Some say it can be stored and others say it can not.

"We have not heard of any further buying by the Government, but any business done is not generally made known.

"Of the 200,000 tons of Mauritius bought by the royal commission some time ago we hear that 50,000 tons have been diverted to Bombay for exchange purposes.

"Brown Javas, January–March shipment, are offering at 20s. 7½d. basis c. f. Calcutta, but these are too far forward to interest buyers at present."

Domestic beets.—Are in scant supply, because of the extensive territory which they are trying to cover and delays in transportation. Apparently everything possible is being done to expedite the movement of these sugars, but it is hardly likely that the scarcity of supplies will be relieved so far as the eastern markets are concerned for the next six weeks.

Refined sugar.—The refined sugar situation becomes daily more acute. Refiners for the most part are out of business, having sold out the stocks which they own. The American Sugar Refining Co. yesterday made an announcement that for the present no further sales of bulk sugar could be made to the grocery trade, and the business would have to be confined to package sugar. The newspaper reports have impressed upon consumers the fact that there is a real scarcity of sugar, and frantic efforts are being made to obtain supplies, but, so far as we can see, there is no relief in sight, and it is clear that during the next month to six weeks many will find it impossible to secure their usual allowance. This in itself will probably do no harm and will have the effect of impressing upon the people the necessity of conserving their food products as indicated by the repeated warnings of Mr. Hoover's administration, so that in the long run the present forced curtailment may be beneficial.

Food administration.—Sir Joseph White-Todd and Mr. John V. Drake, the English members of the international sugar committee, have arrived, and both the international and refiners' committee will now proceed to actively carry out their respective duties. With regard to distributing sugar the Food Administation yesterday sent the following telegram to refiners:

"Referring to my wire eighteenth. Now, consider advisable discontinue selling entirely to confectioners, gum, sirup, and cordial manufacturers and other manufacturers similar products. They will all probably be licensed shortly and their business reduced to a minimum. Will try to get relief car shortage."

Interests representing the Louisiana planters have been in conference with the food administration in Washington for the past two days, but no announcement of results has been made. It is understood that the food administration's ideas that Louisiana sugars should be sold on the basis of 5.80 cents for 96° test, so as to permit the sale of granulated at 7.25 cents per pound is not wel-

comed by the Louisiana planters, who feel that they should secure a higher price, and point out that if this is to be the basis for 96° test, it would pay them better to manufacture as much clarified sugar as possible. Recently clarifieds have been sold at 7.50 to 7.75 cents per pound.

Army and Navy supplies.—In accordance with arrangements made in Washington some time ago, the various refineries have been supplying the Army and Navy with sugar, and the activity of the department is shown by the fact that total purchases now equal 37,444,200 pounds, which has been furnished, as follows:

	Pounds.
American Sugar Refining Co	200,000
National Sugar Refining Co	4,181,500
Arbuckle Bros	350,300
Federal Sugar Refining Co	2,885,000
Warner Sugar Refining Co	1,730,000
Revere Sugar Refinery	300,000
Pennsylvania Sugar Refining Co	2,332,800
W. J. McCahan Sugar Refining Co	1,862,000
Colonial Sugars Co	3,455,000
Wm. Henderson	200,000
Savannah Sugar Refining Corporation	3,400,000
	20,897,200
Pacific coast beet-sugar companies	15,480,000
From dealers	1,100,000
Total	37,477,200

The rather large figures for some of the smaller refineries is explained by the fact that during September when they had comparatively little domestic business on their books, this Government business was welcomed by them.

Yours, very truly,

SMITH & SCHIPPER.
FRANK C. LOWRY.

The CHAIRMAN. I hand you a telegram here, dated December 13, 1917, and I will ask you if that is a telegram that you received from your agent?

Mr. SPRECKELS. It is a telegram sent by Pierre J. Smith, connected with my company.

The CHAIRMAN. And is this paper of December 13 your reply to that telegram [handing witness paper]?

Mr. SPRECKELS. Yes; I replied to them from here. They called me up on the phone and asked what reply they should make to it on Friday, and I told Mr. Smith that I would make the reply direct from here.

Senator VARDAMAN. Will you read that telegram?

The CHAIRMAN. I do not know how pertinent this is; it has just been handed to me. The telegram is as follows [reading]:

EXHIBIT NO. 34.

DECEMBER 13, 1917.

Mr. C. A. SPRECKELS
(Care of Senator James D. Phelan),
United States Senate, Washington, D. C.

Just received following letter from International Sugar Committee:

"It has now been suggested by a number of refiners that Philippine sugars be purchased by the International Sugar Committee for mutual account, and therefore I am inclosing a form of letter which it is desired that you sign and return to this committee.

"(Signed) EDWIN T. GIBSON,
"*Temporary Secretary.*"

Form of letter reads as follows: You are hereby authorized to purchase such Philippine sugars as are available for mutual account and for distribution by the American refiners' committee in the same manner as if such sugars had been included in the contract of October 1, 1917, between the American refiners and Mr. Hoover. As newspapers indicate Hoover will limit consumption to three pounds a month, and Babson and other well-posted parties give warning that financial conditions are getting worse, and lenders will be extremely cautious. Entire policy of the committee in buying crops unwarranted at present time.

PIERRE J. SMITH.

The letter in reply is dated December 15, 1917. I will ask some one else to read this.

(The letter referred to was read aloud by Mr. Lowry, as follows:)

EXHIBIT No. 35.

NEW YORK, *December 15, 1917.*

INTERNATIONAL SUGAR COMMITTEE,
111 Wall Street, New York City.

GENTLEMEN: This company acknowledges receipt of your letter of December 12, 1917, inclosing a proposed letter of authority which we are requested to sign, empowering the International Sugar Committee to purchase Philippine sugars for distribution by the American refiners' committee "in the same manner as if such sugars had been included in the contract of October 1, 1917, between the American refiners and Mr. Hoover."

We are entirely willing to amend our aforesaid contract with Mr. Hoover so that it will cover and include Philippine sugars. Indeed, until otherwise informed by your committee we had thought that the contract already covered Philippine sugars and had conceived ourselves debarred from entering the market for the same.

The proposed letter of authority, however, goes much further than this, and we renew the objection which we made when it was suggested that we sign a similar authority to purchase Cuban sugar on our behalf and as our agents, viz: That neither in the preliminary discussions nor in the contract as executed with Mr. Hoover was there any suggestion or intimation that the International Sugar Committee was to act as our agent in purchasing sugars, pledging our credit therefor, and obligating us to take and pay for our proportion of whatever supply the committee saw fit to purchase and on whatever terms.

The contract premises that it is advisable that your committee and the royal commission should cooperate "in the purchase of the imported raw sugar requirements" of the United States and the nations at war with Germany and in the sale of United States refined sugar to such nations; that the Food Administrator has appointed your committee "to arrange, subject to his buyers' approval, for the purchase and shipment of sugar to the United States"; and that the undersigned "is a buyer of raw sugar" and is desirous of aiding and promoting the efficient administration of the act. The obligation of the contract is that the Food Administrator "shall arrange for the purchase of raw sugar * * * for the purpose of supplying and apportioning the requirements of the United States," etc.; that the refiner will not import or purchase any such raw sugar, "except through the International Sugar Committee," and that "such purchases may be made either direct or through a broker, if customary"; that the refiners committee will fix the basis for the apportionment of the sugar "provided by the International Sugar Committee for the United States," and will fairly apportion it among the refiners; that "on such purchase arranged for" by the two committees the buyer will pay to the committee a proportioned fee to cover running expenses of the committees; and that the International Sugar Committee will daily determine and post basic prices for sugar delivered duty paid at refinery points.

Such is the existing contract between Mr. Hoover and the refiners, including ourselves, and there is nothing therein to indicate an intent, much less to impose an obligation, that the refiners shall allow the International Sugar Committee to purchase raw sugar on their behalf, as their authorized agents, pledging the credit of the refiners and in effect acting as brokers, not principals, for the committee's negotiations with the foreign sellers.

We do not say that such a contract could not have been arranged, but we do say that such is not the existing contract, and we may add that before we would have signed such a dangerous contract we should have asked that there be incorporated therein a stipulation insuring the refiners the right to take part in or at least be informed as to the progress of the negotiations being conducted on their behalf and with their money. Not all the refiners are interested in sugar plantations, and those that are not would be keenly concerned in obtaining their supplies at a reasonable price and with reasonable conditions as to delivery. The law makes no provision for protecting their market, and it might very well be that an unfortunate purchase of an excessive quantity of raws would ruin them. This is a risk that they must take when they are freely operating in an open market, but with their profits limited by law and their credit pledged to purchases as to which they have no discretion they would indeed be in a precarious position. Certainly this was neither expressed nor implied in the contract as executed, but the letters of authority as proposed by you would write it into the contract, contrary to its intent, and we must strenuously object.

You will please understand that in demurring to your request we are not moved by the possible loss of our profits only. Our objection to giving the proposed authority is based not alone on the apprehension but on the reasonable prospect that not only our profits but our capital itself might be swept away if we delegate to the International Sugar Committee the power to load us with raw sugar purchased in our name and on our behalf.

This brings us to a consideration of the proposed purchase of the entire Cuban crop by the International Sugar Committee, a purchase which we would be committed to if we signed the proposed letters of authority, and which we believe to be decidedly unwise at the present time.

From all we can gather from the mass of rumors which are our only source of information the International Sugar Committee has arranged to purchase the entire Cuban crop at $4.60 f. o. b. Cuba. This purchase will, in our judgment, come near to ruining the American refiners if landed on them. The crop is phenomenally large—3,600,000 tons, as against about 3,000,000 tons last year—which in turn was well above the average of the past 10 years. The price, likewise, is abnormally high, the average price accrued last year being about $4.25 f. o. b. and the prewar price having averaged $2.50 f. o. b. Thus, with a crop fully 40 per cent above normal, the committee proposes to pay a price 80 per cent above last year's price. If weather conditions are normal, most of this sugar will be made by June 1, and with sugars accumulating from Porto Rico, San Domingo, and other of the West Indies, Hawaii, the Philippines, Brazil, and elsewhere during the first half of 1918, the market is, in our judgment practically certain to be overloaded, especially if consumption decreases owing to increased economy and conservation here and abroad. In this connection we may refer also to the published report that housewives are to be pledged to a per capita consumption of 3 pounds per month, as against 8 pounds as now consumed, and that manufacturers are to be limited to 50 per cent of their present requirements. In our opinion, so radical a cut in consumption will enable the domestic sugar growers to supply nearly the entire demand, and there will be practically no market for Cuban sugars. Our predicament, if we were loaded with the enormous Cuban crop at an excessive price, in the presence of a large and ample domestic supply and a greatly decreased consumption, need not be dilated upon.

Finally, coming to particulars which especially concern our company, if we authorize this purchase, we shall be contracting for approximately 10 per cent of 3,600,000 tons, entailing an outlay of nearly $50,000,000 for Cuban sugar by this company alone. Now, is this and other purchases in which we shall be expected to participate, to be financed; when will the payments be due; in what quantities and when will the sugars arrive and where can they be stored? These are questions as to which we are not enlightened, and yet we are asked to authorize the purchase. We have no hesitation in saying that to finance such a purchase and to handle any such quantity of sugar before June 1, 1918, might prove embarrassing to this company, in an unsettled money market, which some well-posted financiers anticipate.

Under these circumstances we respectfully decline to sign the proposed letters of authority unless legally compelled to do so, and we reaffirm our belief that the solution of the difficulty lies in some arrangement whereby the Government will furnish the sugars and the refiners will refine the same on a toll basis of say 1.30 cents, which is the differential allowed under the existing arrangement

The refined product to be sold and distributed for account of the Government, under its supervision and at prices and terms fixed by it.

Such is the method of Great Britain and its allies in dealing with the situation, and we favor its adoption in this country, thereby doing away with disputes, jealousies and suspicion in the trade and throwing upon the body politic the duty of controlling the entire sugar situation.

Respectfully yours,

FEDERAL SUGAR REFINING CO.,
By C. A. SPRECKELS, *President.*

Senator JONES. Mr. Chairman, in view of what has gone into the record, I suppose it will do no harm to have this go into the record, and I should like to state at this juncture that in my view of this case and of the facts which have appeared thus far, it is improper to have in this record any criticism of the international commission which has negotiated or is negotiating the price of the incoming crop of Cuban sugar, inasmuch as the question involves the relations with the Cuban Government as such, and that it is impracticable to obtain a full disclosure of the considerations which are entertained by the international commission without involving questions in which the Cuban Government as such has become interested and has participated.

Mr. SPRECKELS. Mr. Chairman, may I suggest——

Mr. BABST. Mr. Chairman, may I rise to a question of personal privilege for a moment?

The CHAIRMAN. Well, this is hardly a parliamentary body. Has anybody assailed your honor here to-day?

Mr. BABST. My honor has been assailed in the hearings. My integrity has been questioned. Both of those attacks have been spread to the entire country. How am I going to——

The CHAIRMAN. In what way has your honor been assailed?

Mr. BABST. That I have used my position to benefit the private interests of which I was an officer.

The CHAIRMAN. Very well; that is a matter in which you draw the conclusion from what was stated in the testimony, is it not? Nobody expressed that opinion to you, did he?

Mr. BABST. The witness expressed that opinion.

The CHAIRMAN. Oh, no.

Mr. BABST. And the witness drew many inferences and made innuendoes which led to that result.

The CHAIRMAN. The committee has knowledge of its own hearings. The witness made no charge whatever against you, drawing any conclusion of that sort. The witness stated that you had a certain relation to this committee and that you had certain relations to the American Sugar Refining Co., and that the American Sugar Refining Co. owned certain properties; and if there is any reflection upon you it must be a matter of deduction from those statements. Now, those are statements of alleged fact, and you will be given an opportunity to take the witness stand and tell wherein those statements of fact are inaccurate; and, so far as I am concerned, if we are through with Mr. Spreckels now, I am willing to give you the witness stand at this moment.

Senator JONES. I would like to ask Mr. Spreckels just a couple of questions.

Mr. SPRECKELS. Before you reach that, may I make a remark?

The CHAIRMAN. Yes.

Mr. SPRECKELS. It seems to me only fair that this letter should go in. In view of the fact that Mr. Hoover has assailed my motive in protesting against the contracts entered into, this letter should also go in.

Senator JONES. Well, I do not think that this is a trial of Mr. Hoover.

Mr. SPRECKELS. No; but in view of the fact——

Senator JONES. I think that the chairman has very clearly stated what is and should be the attitude of this committee.

The CHAIRMAN. No; it is not a trial of Mr. Spreckels, either.

Senator JONES. No; it is not.

Mr. SPRECKELS. Mr. Hoover charged my motives, did he not?

The CHAIRMAN. Yes.

Mr. SPRECKELS. Now, in this letter I give my motives.

Senator JONES. I think, however, Mr. Hoover did not put it in the record.

Senator LODGE. He put it in the press.

The CHAIRMAN. He put it in the paper.

Senator JONES. I suggest that he answer in precisely the same way.

The CHAIRMAN. We do not want to get into a controversy.

Senator JONES. No; we do not here. I would like to ask Mr. Spreckels one or two questions in order to clear up some inference. I now recall, which might be derived from your testimony. You made complaint here on Saturday or on Friday that you should have had a part of the Louisiana sugars?

Mr. SPRECKELS. Yes.

Senator JONES. I will ask you to state to what extent you have dealt in those Louisiana sugars heretofore?

Mr. SPRECKELS. If there is no objection, I should like to answer that by bringing back the complete record of our efforts in getting the Louisiana sugars heretofore, and how the American Sugar Refining Co. threatened my company or threatened the planters if they sold any sugars to us.

Senator JONES. Well, now, we do not care to get into a controversy here.

Mr. SPRECKELS. We have bought sugars in the past in limited amounts, but under the peculiar conditions of a sugar famine in the Eastern States we would have been glad to have obtained a large part of it, and fully expected to get them.

Senator JONES. Mr. Spreckels, if you will not make a speech but will kindly answer my question, I think we will get along a good deal faster. I repeat this question: To what extent have you purchased Louisiana sugars in the last five years?

Mr. SPRECKELS. None.

The CHAIRMAN. Why?

Mr. SPRECKELS. Because we had ample supply from other sources.

The CHAIRMAN. Was there any reason why you could not get them?

Mr. SPRECKELS. We did attempt to get them in years past; chartered a boat and went to Louisiana; and the correspondence and the trust litigation disclose how the American Sugar Refining Co. has threatened the planters if they sold us their sugars. It led to further litigation. I believe, by the Louisiana planters.

Mr. FREEMAN. Will you answer one question: When?
Mr. SPRECKELS. Some time A. D.
The CHAIRMAN. Well, be as specific as you can. If necessary, we will get the record in the trust case. I suppose that would fix it definitely, but about when was it?
Mr. SPRECKELS. Somewhere about 1907; about 10 years ago. I can not recall.
Senator LODGE. 1910?
Mr. LOWRY. Perhaps 1910.
Mr. SPRECKELS. I do not know; the years pass by so quickly.
Senator LODGE. It is in the record; it does not matter about the years.
The CHAIRMAN. You are sure you have not got that confused with the time when the sugar weighing frauds were brought out?
Mr. SPRECKELS. No, sir.
The CHAIRMAN. Those two were connected?
Mr. SPRECKELS. No, sir.
Senator JONES. Now, I will ask if it was not a part of that contract into which you and the other refiners entered that if the American Sugar Refining Co. secured the Louisiana crop it should be charged against its share of all raw sugars?
Mr. SPRECKELS. It was.
Senator JONES. Then, the effect of the American Sugar Refining Co. getting all of the Louisiana raw sugar was to charge that quantity against its share and deduct—or, rather, to prevent it from participating in the raw sugars which might come from Cuba?
Mr. SPRECKELS. Quite true.
Senator JONES. To the extent of that amount?
Mr. SPRECKELS. That is true.
Senator JONES. You also, in your testimony, stated either directly or indirectly, as I recall it, that the Food Commission had not fixed a price upon any sugar except granulated sugar, and that you thought that that was for the purpose of enabling the American Sugar Refining Co. to sell its Domino sugars without any restriction as to price, and was therefore a discrimination in favor of the American Sugar Refining Co. Was not that the effect of your testimony?
Mr. SPRECKELS. Yes, sir.
Senator JONES. Now, I will ask you to look at this table and state what it is [handing witness table].
Mr. SPRECKELS. May I consult with Mr. Lowry?
Senator JONES. Certainly.
Mr. SPRECKELS. I have never seen this before. I have never seen any of these.
Senator JONES. All right.
Mr. SPRECKELS. I want to say, in the first place, that the list is not altogether complete, but I have one——
Senator JONES. Well, answer my question, will you, Mr. Spreckels?
Mr. SPRECKELS. I am trying to.
Senator JONES. Then, do not go into something else. I asked you to look at that table and state what it is.
The CHAIRMAN. To be fair with the witness, the witness stated he was unfamiliar with that table, and had never seen it before.

Mr. SPRECKLES. This table I have never seen before. I know Turner Bros., the brokers, but I have never seen one of their circulars before.

Senator JONES. Well, answer it in your own way.

Mr. SPRECKELS. I would like to give you an opinion, if I can.

Senator KENYON. Since you have examined it, you know what it is?

Mr. SPRECKELS. Yes.

Senator KENYON. State what it is, then.

Mr. SPRECKELS. It is their price list.

Senator JONES. A price list, by whom?

Mr. SPRECKELS. By Turner Bros.

Senator JONES. Who are they?

Mr. SPRECKELS. Brokers in refined sugars, in New York.

Senator JONES. And do they issue regularly such lists as that?

Mr. SPRECKELS. I presume they do. This is the first I have ever seen.

Senator JONES. Does that show the various grades of the sugars gotten out by the different companies?

Mr. SPRECKELS. It does.

Senator JONES. How many grades of sugar does that show gotten out by your company?

Mr. SPRECKELS. Five grades.

Senator JONES. Five grades; but gotten up in how many different forms or packages?

Mr. SPRECKELS. Fourteen.

Senator JONES. And it shows, does it not, the various forms in which all the refiners get out their sugars?

Mr. SPRECKELS. It does.

Senator JONES. And that all refiners get out their sugars in different grades and in different sized packages, and so on, does it not?

Mr. SPRECKELS. It does.

Senator JONES. And is that statement there correct, so far as your company is concerned?

Mr. SPRECKELS (after examining circular). I believe so.

Senator JONES. Then I offer the paper in evidence.

The CHAIRMAN. Certainly. Is there any explanation you desire to make about it?

Mr. SPRECKELS. No, sir. I did not quite understand what the Senator was driving at; excuse me. Have you finished with me, Mr. Chairman?

The CHAIRMAN. I think so. There is one thing. Some of these papers have been introduced for certain days. I mean by that, the Sugar Market Review that is gotten out by the Federal, for instance. I want to reserve the right to put in any supplemental ones of these.

(The list referred to by Senator Jones is here printed in full, as follows:)

EXHIBIT No. 36.

Differential list on refined sugars.

(Turner Bros., brokers in refined sugars. Members New York Sugar Exchange. New York: 122 Front Street; telephone, John 6252. Philadelphia: 125 South Orianna Street; telephone, Lombard 648.)

[+ Above (— below) the basing price of bulk fine granulated in barrels. * Same price as bulk fine granulated in barrels.]

Grades.	New York.					Philadelphia.		
	American.	Howell.	Arbuckle.	Federal.	Warner.	Franklin.	McCahan.	Pennsylvania.
Eagle tablets (half barrels only)	+$2.00					+$2.00		
Cut loaf	+ 1.50					+ 1.50		
Crushed	+ 1.25							
Standard powdered	+ .15	+$0.15	+$0.15	+$0.15	+$0.15	+ .15	+$0.15	+$0.15
Coarse powdered	+ .15	+ .15	+ .15		+ .15			
Fruit powdered	(*)	(*)	(*)		(*)	(*)		(*)
XXXX powdered	+ .20	+ .20	+ .20	+ .20	+ .20		+ .20	+ .20
Cubes	+ .75	+ .75	+ .75	+ .75	+ .75	+ .75	+ .75	+ .75
Mold A	+ .50							
Crown A						+ .50		
Diamond A	(*)							
Brilliant confectioners' A		(*)						
Imperial candy A			(*)					
Confectioners' royal crystal					(*)			
Crystal A						(*)		
Pearl A							(*)	
Confectioners' sparkling A								(*)
Confectioners' XXXX lozenge						+ .20		
Confectioners' powdered						+ .20		
Confectioners' coarse granulated						+ .30		
Confectioners' crown granulated						+ .05		
Fine granulated (in barrels)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Extra fine granulated	(*)	(*)	(*)	(*)	(*)	(*)		
Standard granulated	+ .05	+ .05	+ .05	+ .05	+ .05	+ .05	+ .05	+ .05
Coarse granulated	+ .15	+ .15	+ .15		+ .15	+ .15		
Confectioners' granulated	+ .30							
Druggists' granulated							+ .05	+ .05
Confectioners' A	— .10	— .10	— .10		— .10	— .10	— .10	— .10
Manufacturers' A		— .05						
No. 1	— .15	— .15	— .15		— .15	— .15		— .15
No. 2	— .20	— .20	— .20		— .20	— .20		— .20
No. 3	— .25	— .25	— .25		— .25	— .25		— .25
No. 4	— .30	— .30	— .30		— .30	— .30		— .30
No. 5	— .35	— .35	— .35		— .35	— .35		— .35
No. 6	— .40	— .40	— .40		— .40	— .40		— .40
No. 7	— .45	— .45	— .45		— .45	— .45		— .45
No. 8	— .50	— .50	— .50		— .50	— .50	— .50	— .50
No. 9	— .55	— .55	— .55		— .55	— .55	— .55	— .55
No. 10	— .60	— .60	— .60		— .60	— .60	— .60	— .60
No. 11	— .65	— .65	— .65		— .65	— .65	— .65	— .65
No. 12	— .70	— .70	— .70		— .70	— .70	— .70	— .70
No. 13	— .75	— .75	— .75		— .75	— .75		— .75
No. 14	— .75	— .75	— .75		— .75	— .75		— .75
No. 15	— .75	— .75	— .75		— .75	— .75		— .75
No. 16			— .80					— .75
NOTE.—Half barrels are charged for at 30 cents extra per half barrel. American, Franklin, Arbuckle, Federal, and Warner also charge 5 cents per hundredweight more for sugars packed in small barrels.								
PACKAGE SUGARS.								
Crystal Domino Tablets:								
2-pound cartons, half and full size pieces (in 120-pound cases and 60-pound fiber containers)	+ 3.00					+ 3.00		
4-pound cartons, full size pieces only (in 120-pound cases and 60-pound fiber containers)	+ 3.00					+ 3.00		
Also in 15-cent cartons, half pieces, packed 48 cartons to a container, at $5.60 per container loss 10 per cent trade discount.								
Fine granulated:								
1-pound cartons (60 to container)						+ .50		
2-pound bags (packed in sacks)	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40
2-pound bags (packed in barrels)	+ .50	+ .50	+ .50	+ .50	+ .50	+ .50	+ .50	+ .50
2-pound paper packages (packed 60 to a case)			+ .40					
2-pound cartons (packed 60 to a case)	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40

[1] Basing grades.

Differential list on refined sugars—Continued.

Grades.	New York				Philadelphia			
	Amari-	How-ell.	Ar-buckle.	Fed-eral.	War-ner.	Frank-lin.	Mc-Cahan	Penn-sylva-nia.
						+$0.40	+$0.40	+$0.40
		+$0.50	+$0.50	+$0.50	+$0.50	+ .50	.....	.....
		+ .40	.....	.....	+ .40	+ .40	.....	.....
		+ .40	+ .40	+ .40	.....	+ .40	.....	.....
		+ .40	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40
		+ .50	+ .50	+ .50	+ .50	+ .50	+ .50	+ .50
		.....	+ .40	.....	.....	.....	.....	.....
		+ .40	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40
		.....	.....	.....	.....	+ .40	+ .40	+ .40
		+ .30	+ .30	+ .30	+ .30	+ .30	+ .30	+ .30
		+ .40	+ .40	+ .40	+ .40	+ .40	+ .40	+ .40
		+ .20	+ .20	+ .20	+ .20	+ .20	+ .20	+ .20
		+ .30	+ .30	+ .30	+ .30	+ .30	+ .30	+ .30
		.....	.....	.....	.....	.....	.....	+ .35
		+ .20	.....	.....	.....	+ .20	.....	.....
		(*)	(*)	(*)	(*)	(*)	(*)	(*)
		.....	.....	.....	.....	+ .60	.....	.....
		.....	.....	.....	.....	.....	.....	.....
		.....	.....	.....	.....	.....	.....	.....
		+ 1.50	+ 1.50	+ 1.50	.....	+ 1.50	+ 1.50	+ 1.50
XXXX powdered in 1-pound cartons (24 to a container)	+ 1.50	+ 1.50	+ 1.50	+ 1.50	.....	+ 1.50	+ 1.50	+ 1.50
XXXX powdered in 25-pound containers	+ .75	+ .75	.....	.....	.....	+ .75	.....	.....
Cubes (Dainty Lumps), in 1-pound cartons in containers (48 pounds)	.....	.....	.....	.....	.....	+ 2.00	.....	.....
Cubes (Dainty Lumps), in 2-pound cartons in containers (48 pounds)	.....	.....	.....	.....	.....	+ 2.00	.....	+ 2.00
Cubes, in 25-pound containers	.....	.....	.....	.....	.....	+ 1.00	.....	.....
Cubes, in 50-pound containers	+ 1.00	+ 1.00	.....	.....	.....	+ 1.00	.....	+ 1.00
Jack Frost Tablets, in 2 and 5 pound cartons (60-pound cases)	.....	+ 2.10	.....	.....	.....	.....	.....	.....
Jack Frost Tablets, in 2 and 5 pound cartons (120-pound cases)	.....	+ 2.00	.....	.....	.....	.....	.....	.....

Terms: Refiners' prices carry no rebate and are not guaranteed, but all are subject to a discount of 2 per cent for cash in 7 days.

Keep this list for future reference.

NEW YORK, *June 30, 1917.*

Mr. LINDLEY. I understand Mr. Spreckels will return for further examination?

Senator KENYON. With your information.

The CHAIRMAN. He will return with the tables. Did you want to examine him on the tables?

Mr. LINDLEY. I did. I wanted to get the information out of the tables for the examination I expected to follow.

The CHAIRMAN. Very well. We will have to ask you to return, Mr. Spreckels.

Mr. SPRECKELS. How soon will you want me to return?

The CHAIRMAN. At your earliest convenience. We want to relieve you of waiting here.

Senator VARDAMAN. Let us adjourn until 10 o'clock to-morrow morning.

Senator JONES. I am requested to ask Mr. Spreckels if he received the telegram of which this is a copy? I have not read this telegram. Here are three preliminary questions relating to that telegram. I presume it is proper to ask them. The first is: Did you not have the opportunity of securing Louisiana sugars this year?

Mr. SPRECKELS. After the crop was sold; yes.

Senator JONES. Did you not have some negotiations with a broker, Mr. L. A. Scherck, in the month of August, 1917, relative to the purchase for you of Louisiana raw sugar?

Mr. SPRECKELS. I had a talk with Mr. Scherck—I do not recall his name—who called on me in New York. I would like to say that I would like to give my answer as well. I will bring those documents down with me, showing what I said to Mr. Scherck.

Senator JONES. Very well. Then I will ask you, did not Mr. Scherck wire you on October 25, 1917, relative to such purchase, and is that a copy of the telegram [handing witness telegram]?

Mr. SPRECKELS. It is; I received this telegram.

The telegram referred to is here printed in full, as follows:

EXHIBIT No. 37.

NEW ORLEANS, LA., *October 25, 1917.*

Mr. CLAUS SPRECKELS
(Care Federal Sugar Refining Co.),
New York, N. Y.:

Reported American contracted for 100,000 tons bought at average 6.22½ f. o. b. New Orleans. Wire quick authority to act and will try to secure raws for you same basis American paid. State how much you wish and how soon. Would advise your giving me authority to pay 5 points over American basis if necessary to secure sugar.

L. A. SCHERCK.

Senator JONES. Very well. I will on my own responsibility ask you to produce any other correspondence you may have relating to that.

Mr. SPRECKELS. With Mr. Scherck?

Senator JONES. Yes.

The CHAIRMAN. At that time were you under that agreement?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In which you had put yourself in the hands of the food administration?

Mr. SPRECKELS. I was.

The CHAIRMAN. You were not at liberty to buy anywhere, were you?

Mr. SPRECKELS. No. I think my letter to Mr. Scherck will disclose that.

The CHAIRMAN. That is all. We will now adjourn until to-morrow morning.

(At 4.50 o'clock p. m. the subcommittee adjourned to meet at 10.30 o'clock a. m. to-morrow, Tuesday, December 18, 1917.)

SHORTAGE OF SUGAR.

TUESDAY, DECEMBER 18, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the room of the Committee on Indian Affairs, Capitol, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, Jones of New Mexico, and Kenyon.

TESTIMONY OF MR. HERBERT W. BIEMENSTOK, GRAIN BROKER, NEW YORK CITY.

(The witness was sworn by the chairman.)

The CHAIRMAN. Where do you live?

Mr. BIEMENSTOK. New York City.

The CHAIRMAN. What is your business?

Mr. BIEMENSTOK. I am in the brokerage business, grain and provisions.

The CHAIRMAN. Are you acquainted with Mr. Strauss, the secretary of Mr. Hoover?

Mr. BIEMENSTOK. Yes.

The CHAIRMAN. Are you acquainted with Mr. Lamborn, who is a sugar merchant and broker in New York City?

Mr. BIEMENSTOK. Yes.

The CHAIRMAN. Did you learn of the fact that Mr. Lamborn had published some articles in which he had criticized certain phases of the sugar administration?

Mr. BIEMENSTOK. Yes.

The CHAIRMAN. Did you have any talk with Mr. Strauss, the secretary of Mr. Hoover, with relation to those publications and Mr. Lamborn's attitude?

Mr. BIEMENSTOK. Yes.

The CHAIRMAN. When did you have that conversation?

Mr. BIEMENSTOK. When I was down to Washington about two or three weeks ago.

The CHAIRMAN. How did you come to be with Mr. Strauss?

Mr. BIEMENSTOK. I came down to Washington to offer my services to the Food Administration, thinking that because of my familiarity with the grain and provision business I could be of some service to them.

The CHAIRMAN. Relate the conservation that you had with Mr. Strauss.

Mr. BIEMENSTOK. Mr. Strauss asked me if I knew any people in New York in the general business of handling food, and I mentioned several names, and among them Mr. A. H. Lamborn's name. Mr. Strauss then said that he was sorry I had mentioned Mr. A. H. Lamborn's name, for while he and Mr. Hoover had both entertained a very high opinion of Mr. Lamborn personally, yet he had been a thorn in their side and seemed to be doing the utmost he could to work against them. Do you wish me to repeat the exact words that he used?

The CHAIRMAN. Yes; let us know just what he said.

Mr. BIEMENSTOK. He said that Mr. Lamborn had better be very careful, because if he was not careful the steam roller was going over him and was going to roll his guts out.

Senator KENYON. Who said this?

Mr. BIEMENSTOK. Mr. Strauss.

The CHAIRMAN. Did you communicate that statement to Mr. Lamborn?

Mr. BIEMENSTOK. I have been a very good friend to Mr. Lamborn, and I am under some obligations to him for favors that he has done for me, and I immediately took the train to New York to warn him of what I thought was some danger to him.

Senator VARDAMAN. Did he tell you why they were going to roll the—to run the steam roller over him?

Mr. BIEMENSTOK. No; unless, as he said, it was because he was a thorn in their side.

Senator VARDAMAN. Did he state what sort of a thorn?

Mr. BIEMENSTOK. No. He asked me if I was familiar with the sugar situation in New York. I said I was not, not having been in that business, or knowing anything about it.

The CHAIRMAN. Had you been talking about these publications of Mr. Lamborn?

Mr. BIEMENSTOK. I had not been speaking about them. I had heard about them as probably everyone on the street had heard of them.

Senator VARDAMAN. Were these publications put in the record?

The CHAIRMAN. They have not been, but some of them will be. That is all, sir. I will now call Mr. Babst.

Mr. LINDLEY. Mr. Chairman, may I ask the committee if they will be kind enough to indicate when I may send for Mr. Hoover. He has a very important matter that he would like to take up, and he would like to dispose of this matter. He had to cancel an engagement in New York, and if it is agreeable to the committee I would like, if possible, to have Mr. Hoover go on after the noon adjournment.

Senator KENYON. This afternoon?

Mr. LINDLEY. Yes.

The CHAIRMAN. I really do not know. We intend to give Mr. Hoover a hearing, but just why should we break in on the ordinary course of our examination to examine Mr. Hoover? We are trying to examine some sugar men now, some men who are engaged in that business.

Mr. LINDLEY. Obviously, Mr. Hoover is to be called, and, as I understand, at the invitation of the committee, through the chairman, and it is simply a question of adjusting himself to a situation that is rather serious.

The CHAIRMAN. Is Mr. Hoover going to be away from town permanently or for any considerable length of time?

Mr. LINDLEY. He is not going to leave town until he knows when he will be required here, and he is going to remain here until things develop——

Senator VARDAMAN. Would his business in New York detain him two or three days?

Mr. LINDLEY. That I do not know. He canceled the engagement in New York.

Senator KENYON. What can be the harm of fixing a time to hear him?

The CHAIRMAN. I think we better wait until Senator Lodge comes. If Mr. Hoover had to go away, it would be a different matter, but Mr. Hoover is here in town. There are other witnesses here, some of them from abroad, and, while I want to treat Mr. Hoover with every conceivable courtesy, I can not see any reason why we should break in on the orderly course of the taking of testimony unless Mr. Hoover is called away or something of that kind.

Mr. LINDLEY. I am not prepared to state that because I do not know, and I did not know any particular program had been lined out for the orderly presentation of the subject, of the discussion, of the investigation; but it being an investigation, it occurred to me that it was not material to the committee in what order the people who were familiar with the situation were presented.

The CHAIRMAN. There has been no set program fixed.

Senator VARDAMAN. We did agree in executive session to take up the question as presented by Mr. Spreckels, and nothing has been said since that time.

The CHAIRMAN. I was just about to say there had been no set program in advance. The committee started with Mr. Spreckels. It had to start with somebody. Mr. Spreckels opened up a certain line of testimony here relating to conditions in the sugar market, testifying from the standpoint of the practical man. It seems to me that the logical thing to do would be to follow along that course until that subject was at least partially disposed of. As Senator Vardaman says, we had a conference the other day and agreed to go on with Mr. Spreckels and practically agreed then to give Mr. Babst a hearing. He has been very anxious to have it.

Senator VARDAMAN. I make this suggestion, in order not to inconvenience Mr. Hoover, that if he has business in New York, he go ahead and attend to it, and at his convenience when he returns here he will be heard by the committee.

The CHAIRMAN. Yes.

Senator VARDAMAN. That is, in the meantime we will go ahead and finish up this other matter. So far as I am personally concerned, I would as soon hear him now as at any time after we get through with Mr. Babst.

Mr. BABST. Of course, I am anxious to be heard upon the matters that impugn my honor. Those are the matters about which I have been especially anxious to testify.

Senator KENYON. Can we not find out if Mr. Hoover is convenienced by hearing him now. I think we ought to hear him when it will convenience him.

The CHAIRMAN. We ought to take some account of the convenience of the committee and of orderly hearing. Of course, we do not want to inconvenience Mr. Hoover.

Mr. LINDLEY. The committee will appreciate that Mr. Hoover is probably one of the hardest working men in Washington to-day. There is a tremendous pressure in all lines of industry, besides sugar. It is difficult to picture to the mind what his position is; but as a public official, in charge of a public trust, it does not seem to me that his request is out of place. I submit the request and leave it with the committee.

The CHAIRMAN. Very well; we will dispose of it when Senator Lodge comes in. We will now hear Mr. Babst again.

TESTIMONY OF MR. EARL D. BABST, PRESIDENT OF THE AMERICAN SUGAR REFINING CO., NEW YORK CITY.

The CHAIRMAN. Where do you reside?

Mr. BABST. I reside in New York City.

The CHAIRMAN. What is your business?

Mr. BABST. I am president of the American Sugar Refining Co.

The CHAIRMAN. How long have you been in that business?

Mr. BABST. Since July 13, 1915.

The CHAIRMAN. How long have you been acquainted with the sugar business?

Mr. BABST. Since March 17, 1915.

The CHAIRMAN. So that your first real connection with the sugar business was when you became president of this company. Is that correct?

Mr. BABST. Yes; that is correct. I gave the earlier date because I spent three months not in the office but utilizing that time to make careful survey of the sugar industry as it actually appeared in the mercantile field.

The CHAIRMAN. Prior to that what had been your business?

Mr. BABST. Prior to that time, from 1894 to 1902, I practiced law in Detroit, Mich. From 1902 to 1906 I practiced law in Chicago as general counsel for the National Biscuit Co., an office I held during part of my period of practice in Detroit. In 1906 I came to New York City as general counsel of the National Biscuit Co., and very shortly thereafter interested myself and my duties became more generally in line with the business side of the company than with the legal side, so that for a period of five or six years prior to March, 1915, I was in charge of the merchandising and manufacturing divisions of the National Biscuit Co., retiring from the office of first vice president in order to go to the office of president of the American Sugar Refining Co. I may state that the National Biscuit Co. is one of the largest merchandising corporations in this country; that it does a national business from coast to coast and from the Lakes to the Gulf, having properties in more than 300 cities and having relationships with more than 300,000 customers in the distribution of its products.

The CHAIRMAN. In other words, it is what is commonly known as the Biscuit Trust, or the Cracker Trust?

Mr. BABST. I have not heard it spoken of in that way for a great many years, but it was at one time spoken of in that way.

The CHAIRMAN. When did they cease talking of it in that way?

Mr. BABST. It has been some years since I have heard it spoken of in that way.

The CHAIRMAN. You went from that concern to the American Sugar Refining Co.?

Mr. BABST. Yes.

The CHAIRMAN. The American Sugar Refining Co. is a consolidation, is it not, of a large number of other sugar refining companies?

Mr. BABST. As to the organization of the American Sugar Refining Co. I know nothing whatever except such as is contained, whether correctly or incorrectly, in financial manuals, such as you have in your hand.

The CHAIRMAN. In your three years' presidency of the company you have not learned how the company was organized?

Mr. BABST. No more than you see it in financial manuals, Mr. Chairman.

The CHAIRMAN. Are you acquainted with its present holdings?

Mr. BABST. I am.

The CHAIRMAN. At how many places does it own, in its own name directly, sugar refineries?

Mr. BABST. All of its sugar refining properties are operated as one company. It owns directly in its own name a sugar refinery at Boston, at Jersey City, and at New Orleans. It owns at Brooklyn, N. Y., a sugar refinery in the name of the American Sugar Refining Co. of New York, all the stock of which is owned by the parent company. It also owns at Philadelphia two refineries, both in the names of the subsidiary companies, all the stock of which is owned by the parent company; and all of the refineries are operated as one company, the subsidiary companies being merely considered and used as divisions of the American Sugar Refining Co.

The CHAIRMAN. What are the names of those subsidiary companies?

Mr. BABST. The names of the two subsidiary companies that I did not mention in my answer as owning the two refineries at Philadelphia are the Spreckels Sugar Refining Co., owning the refinery at the foot of Reed Street, and the Franklin Sugar Refining Co., owning the refinery at the foot of Front Street. The latter refinery is a reserve refinery, and is held merely to meet disasters or breakdowns or other calamities. This last refinery, however, is in order, ready to operate at any moment, and was operated during two periods during the last two years, largely on export business.

The CHAIRMAN. Are those all the properties that the company owns?

Mr. BABST. It owns no other sugar refineries or cane-sugar producing companies of any kind or description. It has, however, a stock investment interest amounting to 25 per cent of the capital stock of the National Sugar Refining Co., with headquarters at New York City. In this company, however, it has no representation in its management or voice in its affairs.

The CHAIRMAN. No directors?

Mr. BABST. No directors or officers, and the stock is held merely as an investment, acquired many years ago, many years before I was an officer of the company.

The CHAIRMAN. None of the officers of the National, I suppose, are in any way connected with the American or interested in it?

Mr. BABST. None of the officers of the National Sugar Refining Co. are officers of the American Sugar Refining Co. nor of any of its subsidiaries.

The CHAIRMAN. How about being stockholders?

Mr. BABST. That is a matter of which I have no knowledge.

The CHAIRMAN. Do you not know that there is a common stock ownership between certain of the stockholders of those companies?

Mr. BABST. That I do not know; and, furthermore, I do not think that that is so.

The CHAIRMAN. Very well. How about your properties at Jersey City?

Mr. BABST. We have a refinery at Jersey City, owned directly by the American Sugar Refining Co.

The CHAIRMAN. In what name is that owned?

Mr. BABST. My answer will cover that, Mr. Chairman. It is owned directly by the American Sugar Refining Co.

The CHAIRMAN. What is the name of that refinery?

Mr. BABST. The Jersey City refinery.

The CHAIRMAN. When did you change it from the Matthieson-Wiechers Refinery, at Washington and Essex Streets?

Mr. BABST. Those are evidently some old names in that manual which are quite incorrect.

The CHAIRMAN. What is the present name, then?

Mr. BABST. The Jersey City refinery of the American Sugar Refining Co.

The CHAIRMAN. This is the 1917 Poor's Manual.

Mr. BABST. Well, that is undoubtedly there traditionally.

The CHAIRMAN. Have you mentioned the refinery at Boston, Mass.?

Mr. BABST. It is called the Boston refinery of the American Sugar Refining Co.

The CHAIRMAN. It was called the Standard refinery, was it not?

Mr. BABST. That might be considered its traditional name, possibly, and in that book as such.

The CHAIRMAN. Do you own that directly or do you own stock in it?

Mr. BABST. We do—we own it directly.

The CHAIRMAN. At New Orleans, the Louisiana refinery you own directly?

Mr. BABST. We do. That is a new refinery, which was built by the American Sugar Refining Co. at a little place called Chalmette, on the river near New Orleans. It was completed about the year 1910.

The CHAIRMAN. That is called the Chalmette refinery, is it not?

Mr. BABST. It is called the Chalmette refinery, from the name of the town where it is located, just as the Boston refinery is called the Boston refinery and the Jersey City refinery is called the Jersey City refinery.

The CHAIRMAN. There is another refinery, known as the Louisiana refinery, is there not?

Mr. BABST. There is in the city of New Orleans an old refinery, which has not been operated since the new refinery located at Chalmette was built, which was built for the purpose of providing modern refining conditions at New Orleans. The old refinery is to-day

and has been for three years in the process of being dismantled and can not be spoken of to-day as a refinery.

The CHAIRMAN. Did you increase or decrease your capacity in Louisiana when you made this change?

Mr. BABST. We increased our capacity when we made this change.

The CHAIRMAN. At Brooklyn now, the Havemeyer & Elder Refinery?

Mr. BABST. That is another traditional name which is sometimes applied to the refinery, which I have already described as the Brooklyn refinery.

The CHAIRMAN. That you control through a stock ownership, do you not?

Mr. BABST. The Brooklyn refinery belongs to the American Sugar Refining Co., of New York, a subsidiary company, all the stock of which we own and which is operated purely as a division of the American Sugar Refining Co.

The CHAIRMAN. Have we covered the Franklin Sugar Refining Co.?

Mr. BABST. Yes; we have covered everything, Mr. Chairman.

The CHAIRMAN. How much in dollars and cents do you own of the National Sugar Refining Co.?

Mr. BABST. $2,500,000 of its capital stock out of a total of $10,000,000 in round numbers.

The CHAIRMAN. And it controls how many cane sugar refineries in the United States?

Mr. BABST. It owns two operating cane sugar refineries—one located on the Long Island water front of Brooklyn and the other located at Yonkers, N. Y., on the Hudson River.

The CHAIRMAN. It controls 21 cane sugar refineries in the United States, does it not?

Mr. BABST. It does not.

The CHAIRMAN. Well, I am reading—the American Sugar Refining Co.?

Mr. BABST. Oh! You asked me about the National Sugar Refining Co..

The CHAIRMAN. I asked about the American Sugar Refining Co.

Senator VARDAMAN. No; you asked him about the National.

(By request the reporter read the previous question referred to.)

The CHAIRMAN. That is correct, then. That is the National?

Mr. BABST. The National.

The CHAIRMAN. So that the National is a cane sugar refinery pure and simple?

Mr. BABST. Entirely.

The CHAIRMAN. You have stated that you own $2,500,000 of the capital stock of the National Sugar Refining Co.

Mr. BABST. Out of its total of $10,000,000 capital stock.

The CHAIRMAN. Yes; and how many cane sugar factories in the United States does that company own?

Mr. BABST. The two which I have just mentioned. If you will show me the manual, I shall be glad to point out any errors that may be there.

The CHAIRMAN. What interest has the American Sugar Refining Co. in beet sugar refineries?

Mr. BABST. While that is being looked up might I name the cane sugar refineries in this country in which we have no interest, directly or indirectly?

The CHAIRMAN. Well, you might, but——

Mr. BABST. I should like to mention that there are in the United States a large number of cane sugar refining companies owning cane-sugar refineries in which the American Sugar Refining Co. has no interest, directly or indirectly. Those companies are the Revere Sugar Refining Co., which has a refinery at Boston, which is a subsidiary company largely, I am informed, of the United Fruit Co. The active officer of this company is Dwight P. Thomas, vice president. This company is building a new refinery at Boston, on the Boston water front, many times the size of the present refinery, which is expected to be in operation in June, 1918.

There are at the port of New York a number of sugar refining companies, namely, the Warner Sugar Refining Co., of which Mr. C. M. Warner is president, which owns a refinery at Edgewater, on the Jersey shore of the Hudson River; the Federal Sugar Refining Co., of which Mr. Claus A. Spreckels is president, which owns a large refinery at Yonkers, N. Y.; there are the two refineries of the National Sugar Refining Co., of which Mr. James H. Post is president, and in which the American Sugar Refining Co. has the quarter interest in its capital stock, which I have already described. There is also at New York a large sugar refinery owned by Arbuckles, of which Mr. William A. Jamison is the partner or sole owner.

At Philadelphia there are two refining companies, the first being the Pennsylvania Sugar Refining Co., of which Mr. George H. Earle, jr., is president, and the McCahan Sugar Refining Co., of which Mr. William D. McCahan is president.

In New Orleans there is the Henderson Sugar Refining Co., owned by William Henderson & Sons. There is also the Colonial Sugar Refining Co., of which Mr. John Farr is president.

Senator VARDAMAN. Where is the last located?

Mr. BABST. Just near New Orleans.

There is at Sugarlands, Tex., the Imperial Sugar Refining Co., of which Mr. C. D. Kempner, of Galveston, is president.

In San Francisco Harbor there are two sugar refining companies, the Western Sugar Refining Co., of which Mr. John D. Spreckels is president, and the California & Hawaiian Sugar Refining Co., the active officer of which is Mr. Wallace Alexander, vice president.

There are also in Louisiana two other sugar refining companies that should be mentioned—the Godchaux Sugar Refining Co., which is building, as I understand, a bone-black house, which brings it strictly within the definition of a cane-sugar refining company——

The CHAIRMAN. They are just building it?

Mr. BABST. They are operating, however, as refiners, and are parties to the agreement with the Food Administrator. There is also another refining company in Louisiana, a party to the agreement with the Food Administrator, and called, I think, the Sterling Sugar Refining Co.

There has recently been put in operation at Savannah, Ga., a new sugar-refining company called the Savannah Sugar Refining Co.

All of these companies have very largely increased their capacities in recent years, and in the aggregate represent about 60 per cent of the sugar refining business of the country.

The CHAIRMAN. And your company?

Mr. BABST. Our company represents 40 per cent of the cane sugar refining business of the country, and represents about one-third of the entire sugar business of the country, counting in the beet sugar output.

The CHAIRMAN. I asked you to give me the companies and extent of your interest engaged in the beet sugar business, and you said to me that while that was being prepared you wanted to give the answer which you have just given. You had those figures that you now have in your hand then before you, did you not, all prepared?

Mr. BABST. They were prepared, but were not in my hand, as they were being obtained from our papers, of which we have many here.

The CHAIRMAN. Very well; proceed. It is immaterial. I thought I saw it there. Go ahead.

Mr. BABST. I only wish to help, Mr. Chairman.

The CHAIRMAN. Certainly.

Mr. BABST. And if you do not object, I will indulge myself a little bit to give you the facts which I know you want to obtain.

Senator JONES. Mr. Chairman, as I understand the situation, this witness comes here as a volunteer, and evidently has information of his own which he desires to present. I do not understand that he is called for the purpose of cross-examination by the chairman.

The CHAIRMAN. I was not cross-examining him. I was examining him on a certain line. We are stopping here about a very immaterial matter. I was examining him on a certain line, and asked him a question, and he said he wanted, while that information was being obtained, to answer another matter. I consented, and I thought, when I saw him pick up the paper, that that was a paper before him at the time. The witness says it was not before him and that settles the matter.

Mr. BABST. It was not. The papers that I had were here, and relate to other matters.

The CHAIRMAN. Very well. Please answer the question now.

Mr. BABST. The American Sugar Refining Co. holds to-day, solely as an investment, without any representation in the management as officers or on the boards of directors, an investment interest in six beet sugar companies, one of these companies not being in operation for many years.

The active companies are the following:

The Alameda Sugar Co. of California, the par value of the shares owned by the American Sugar Refining Co. being $371,250 of its total capital of $1,500,000.

The Continental Sugar Co. of Ohio, where it owns $519,300 of the total capital of $1,732,400.

The Great Western Sugar Co. of Denver, Colo., where it owns $8,808,800 of its total capital of $30,000,000.

The Iowa Sugar Co., which has not operated for years, and which has a dismantled plant, and is a liability, I might say.

Senator KENYON. At Waverly?

Mr. BABST. At Waverly, Iowa. It owns $416,500 of the capital of $550,000, and holds the liabilities of that company amounting to more than $400,000, which explains my remark that it was a liability and not an asset.

Senator KENYON. Why was that closed?

Mr. BABST. That I do not know, Senator Kenyon. That was the condition in which I found it when I came into office.

Senator KENYON. They have a very extensive plant there.

Mr. BABST. I never have seen it.

Senator VARDAMAN. Has that company ever been operated by the American Sugar Refining Co., the one that is now dismantled, in Iowa?

Mr. BABST. I do not know, Senator Vardaman. All of these companies made use of the talent and financial resources of the American Sugar Refining Co., but not for many years.

Senator VARDAMAN. Was it built by the American Sugar Refining Co.?

Mr. BABST. That I could not say.

Senator VARDAMAN. You do not know?

Mr. BABST. But it was built largely with its money.

Senator KENYON. Why was that built out in Iowa, have you any idea?

Mr. BABST. That I do not know.

Senator KENYON. They were not raising many sugar beets in Iowa.

Mr. BABST. I do not know. I know nothing about the sugar-beet business, and never have.

Senator KENYON. You do not know who built that?

Mr. BABST. I do not. My recollection is that that plant was moved there from Michigan.

Senator VARDAMAN. You do not know that it was purchased by the company of which you are now president, and closed up.

Mr. BABST. That I do not know.

Senator VARDAMAN. Or, rather, dismantled?

Mr. BABST. No. It also owns in the Spreckels Sugar Refining Co. of California, $2,500,000, with a total capital stock of $5,000,000. In other words, its interest in beet sugar companies in this country amounts to $16,500,000 out of a total of $50,000,000 of the capital stock of these six companies, using round figures. Stated another way, the American Sugar Refining Co. has investment interests represented by the par value of shares to the amount of $16,000,000 out of a total capitalization of all beet sugar companies in this country, amounting to $120,000,000.

The CHAIRMAN. What proportion of the beet sugar of the country is produced by these factories that the American is interested in?

Mr. BABST. We would have to prepare a table to submit to you to answer that question as you state it.

The CHAIRMAN. Before I leave the subject, I want to ask you now if you are perfectly sure that the American Sugar Refining Co. has not a control, either by agreement, through common stock ownership or through financial entanglements, with other sugar-refining companies than those you have included as within its control?

Mr. BABST. It has no relationship directly or indirectly with any other sugar refining company in the United States, aside from the

National Sugar Refining Co., in which it has an investment interest of $2,500,000 out of a total capitalization of $10,000,000. It is proper to state that at one time the company did have a 50 per cent investment interest in the National Sugar Refining Co., but offered all of its investment interests to its old stockholders, and the stockholders availed themselves of that opportunity to the extent of purchasing 25 per cent or one-half the investment interests held by the American Sugar Refining Co., so leaving to-day a balance of 25 per cent, or $2,500,000 ownership interest in the capital stock of the National Sugar Refining Co.

The CHAIRMAN. You spoke of the par value of the stock in these beet-sugar companies in which your company is interested. What is the market value?

Mr. BABST. In many of these companies the market value is much larger than the par value which I have given; in some of these companies it is lower than the par value which I have given; but the interest of the American Sugar Refining Co. in these beet properties naturally is as well represented by comparing par value of shares owned with total capital as it would be to take the market value of the shares owned and compare that with the market value of the total capital stock.

The CHAIRMAN. Oh, that is undoubtedly true, if you are speaking solely from the standpoint of control; but if you are speaking of the value of properties owned by the American Sugar Refining Co., then of course the market value becomes a factor, and that is the reason I asked it.

Can you give me those figures?

Mr. BABST. I could not give them to you offhand.

The CHAIRMAN. Are there any directors of your company who are stockholders or directors in other companies not controlled by your company?

Mr. BABST. There are no directors of our company that are directors of any cane-sugar refining company or of any beet-sugar companies. So far as the stockholdings of directors in any of these companies are concerned I have no personal information, one way or the other, but I am strongly of the impression that there is no financial investment of that character on the part of the company.

Senator JONES. These various beet-sugar companies have bond issues, have they not?

Mr. BABST. There is only one that has; that is the Continental Sugar Co. of Ohio, which has a bond issue; and of this bond issue the American Sugar Refining Co. made a purchase some years ago for the purpose of providing them with a larger working capital. The amount of that is not on this table, but should be stated; but of it I have not at this moment an accurate recollection, although it is my impression now that it is about $400,000.

Senator JONES. What was the method of financing of those beet-sugar companies in the West? Did they not have bond issues or preferred stock, or something of that sort?

Mr. BABST. Of course, as I have stated, I know nothing about the connection of the American Sugar Refining Co. and this old history relating to these beet-sugar companies except what is of common knowledge to everybody, namely, that——

Senator JONES. What I am trying to get is, to supplement the idea of the chairman of the committee as to your control, whether you have bond investments in those concerns which give you an interest in addition to that represented by the stock.

Mr. BABST. We have no other investment in any of these companies aside from what I have named, except this bond investment which we had overlooked, very unfortunately, in the Continental Sugar Co.

The CHAIRMAN. Do you mean also to say by that, that you have no kind of understandings or working agreements with these other companies?

Mr. BABST. I mean most emphatically to have it so understood. The American Sugar Refining Co. for some years, and long before I became its president, took no part, directly or indirectly, in the management or the affairs, whether operating matters or financial matters, of any of the beet-sugar companies in which it owned stock. What interest it had was the remnant of larger interests acquired many years before, but now remaining in the treasury of the company merely as an investment, in the same way that it might properly have an investment in the Pennsylvania Railroad.

The CHAIRMAN. Your company, after the trust litigation was begun, unloaded some of its property and sold it?

Mr. BABST. The American Sugar Refining Co. has been selling its investments in beet-sugar properties for some years past. In fact, since I have come into office we have sold our investment interest in at least one company.

The CHAIRMAN. What company was that?

Mr. BABST. That company was the Menominee River Sugar Co., of Menominee, Mich.

The CHAIRMAN. When did you sell the Western Sugar Refining Co.?

Mr. BABST. That was sold some years, or several years, before I became an officer of the American Sugar Refining Co.

The CHAIRMAN. You are not familiar with that transaction?

Mr. BABST. I am not, Mr. Chairman.

The CHAIRMAN. How many of the directors and officers of your company, the American, and of these subsidiary companies which you say you control; own sugar lands?

Mr. BABST. So far as I know, there is but one director of the American Sugar Refining Co. that has any interest in sugar lands or raw-sugar properties. The company itself has no interest, directly or indirectly, in raw sugar lands or raw sugar productions.

The CHAIRMAN. I was asking about officers or men who were financially connected with your company. You say there is one director?

Mr. BABST. Yes.

The CHAIRMAN. How about other men who are heavy stockholders or officers?

Mr. BABST. There is but one director, and no officer, of the American Sugar Refining Co. that has any interest.

The CHAIRMAN. How about heavy stockholders?

Mr. BABST. There are no heavy stockholders that have any interest in raw sugar properties that I know of. We have 20,000 stockhold-

ers. and the average holding of our stockholders is 47½ shares apiece. One-half of our stockholders are women, largely New England school-teachers, Mr. Chairman.

The CHAIRMAN. Yes; I thought the New England school-teacher would get in.

Mr. BABST. I have occasion to note that fact frequently, as the president of the company.

The CHAIRMAN. I am simply referring to it, pleasantly.

Mr. BABST. You might leave that out then.

The CHAIRMAN. No; that is all right. Who is this director you refer to?

Mr. BABST. This director I refer to is Mr. Edwin F. Atkins, who owns several raw sugar properties in Cuba, some of which I know have been inherited by him from his family many, many years ago.

The CHAIRMAN. What is the extent of these holdings? You say he owns several properties. Of course that leaves it very indefinite.

Mr. BABST. That, of course, I do not know.

Senator KENYON. What are the holdings of the New England school-teachers; have you those? What per cent do they amount to?

Mr. BABST. One-half of our stockholders are women.

The CHAIRMAN. In amount or in number of stockholders?

Mr. BABST. In number of stockholders.

The CHAIRMAN. How about the amount of stockholding? Since you have started that line of investigation, let us confine it to the New England school-teachers.

Mr. BABST. Of course I can not accurately follow the pleasantries which have passed back and forth, but I can give quite accurate information as to our stockholders, and where they are located, as between the New England and the other States. I have a table here which shows the numbers of our stockholders in every State of the Union, as well as in foreign countries.

The CHAIRMAN. Does it show the number of their shares?

Mr. BABST. It shows the number of stockholders, the share holdings of that number, and the par value of the stock.

The CHAIRMAN. Does it show the number of each or the aggregate?

Mr. BABST. The aggregate by States and countries, and by large divisions of the country it shows as of December 1, 1916——

The CHAIRMAN. I do not think we need to go into that. Do we care anything about that?

Senator KENYON. No; I think not.

Mr. BABST. I would like to submit the table as we have it here.

The CHAIRMAN. Very well, you can submit that.

Senator KENYON. Is a substantial number of the stockholders women?

Mr. BABST. One-half, and 55 per cent of the total are in New England.

The CHAIRMAN. You do not mean to say that women own one-half of your stock?

Mr. BABST. I do not. I say that of the total number of 20,000 stockholders, 10,000 are women.

Senator VARDAMAN. Have you the information convenient as to the amount they own, what percentage of the stock?

Mr. BABST. I have not. I present the table I refer to.

(The table referred to is here printed in full, as follows:)

EXHIBIT No. 38.

List showing the number of stockholders, preferred and common, as of Dec. 1, 1916, of the American Sugar Refining Co. and their holdings in the various States of the United States and in foreign countries.

	Number of stockholders.	Share holdings.	Par value of stock.	Percentage of holdings
New England States:				
Maine	689	19,207	$1,920,700	
New Hampshire	1,764	40,289	4,028,909	
Vermont	367	8,005	800,500	Per cent
Massachusetts	9,898	393,366	39,336,500	55
Rhode Island	298	13,814	1,381,400	
Connecticut	691	20,059	2,005,000	
North Atlantic States:				
New York	3,163	296,146	29,614,600	
New Jersey	441	20,394	2,039,400	
Pennsylvania	425	43,323	4,332,300	41½
Maryland	109	5,563	556,300	
Delaware	12	1,332	133,200	
Central States:				
Ohio	117	4,234	423,400	
Indiana	27	601	60,100	
Illinois	135	5,363	536,300	
Iowa	16	566	56,600	1¾
Wisconsin	25	1,264	126,400	
Minnesota	21	466	46,600	
Michigan	55	1,391	139,100	
Missouri	58	2,380	238,000	
Southern States:				
Virginia	30	1,231	123,100	
West Virginia	7	482	48,200	
Alabama	4	145	14,500	
Georgia	20	551	55,100	
North Carolina	15	215	21,500	
South Carolina	4	45	4,500	
Oklahoma	2	26	2,600	
Florida	30	620	62,000	1¾
Tennessee	5	151	15,100	
Mississippi	5	152	15,200	
Arkansas	1	30	3,000	
Louisiana	38	2,004	200,400	
Texas	12	166	16,600	
Kentucky	19	959	95,900	
District of Columbia	111	3,802	380,200	
Western States:				
North Dakota	3	42	4,200	
Kansas	4	79	7,900	
Nebraska	9	355	35,500	
Idaho	1	10	1,000	
Arizona	2	105	10,500	
New Mexico	4	84	8,400	
Colorado	30	1,658	165,800	⅛ of 1
Utah	3	45	4,500	
Montana	3	60	6,000	
Wyoming	2	62	6,200	
Washington	15	148	14,800	
Oregon	8	581	58,100	
California	111	4,509	450,900	
Foreign countries:				
Switzerland	2	37	3,700	
Belgium	1	30	3,000	
Scotland	2	93	9,300	
France	8	382	38,200	
Spain	1	15	1,500	
Germany	3	100	10,000	
Holland	1	10	1,000	
Italy	1	66	6,600	
Greece	1	15	1,500	
England	18	871	87,100	⅛ of 1
Canada	84	2,126	212,600	
Ireland	1	10	1,000	
Haiti	1	10	1,000	
Cuba	2	22	2,200	
Porto Rico	6	21	2,100	
Hawaiian Islands	4	90	9,000	
Philippine Islands	1	7	700	
Japan	1	10	1,000	
Total	18,949	899,994		
Outstanding script	.....	6		
Total	.....	900,000		

Average holding, 49½ shares per stockholder.

The CHAIRMAN. When were you first talked to by any person in authority about becoming connected in any way with the Food Administration?

Mr. BABST. It was on one of several days immediately preceding September 20, 1917.

The CHAIRMAN. Previously to that time had you had any conference with the Food Administration or any written communication?

Mr. BABST. On several occasions prior to this date I had had conferences with Mr. Hoover, at his invitation.

The CHAIRMAN. When was the earliest of those conferences?

Mr. BABST. Within 10 days or two weeks of his arrival in Washington from abroad.

The CHAIRMAN. For the sake of getting matters in chronological order. I think I may state that Mr. Hoover arrived here on May 4, according to the best information I have.

Mr. BABST. That is my recollection.

The CHAIRMAN. He appeared before the Agricultural Committee of the Senate on May 7. How soon after the arrival of Mr. Hoover did you have your first conference with him?

Mr. BABST. Within 10 days, as I now remember it.

The CHAIRMAN. At that time did you take up the question of, in any way, connecting yourself with the Food Administration?

Mr. BABST. The matter of my being connected with the Food Administration was never broached to me until a few days before September 20. I was asked a great many questions; in fact, my conferences with Mr. Hoover consisted entirely of answering his questions as to sugar conditions in this country: and also he asked me questions relating to the effect of the export business on our American markets.

The CHAIRMAN. You did discuss with Mr. Hoover the effect of the export business on our American market?

Mr. BABST. Yes; we did.

The CHAIRMAN. You discussed that early in your conference?

Mr. BABST. We did; and I explained to Mr. Hoover very thoroughly, in answer to his questions, the very strong, almost overwhelming, demand which had been present in our market, starting from the middle of the month in February, explaining to him the sugar-famine sensational stories that had peen circulated through the country in February and March, and even into part of April.

Senator JONES. Do you mean the strong export demand?

Mr. BABST. No; I mean the strong domestic demand. I also explained to him the great tendency, which was very plainly defined, of consumers to hoard sugar. I also explained to him the steps which we were taking to combat this abnormal market condition which had faced us since the month of February.

The CHAIRMAN. You say that the sugar famine was predicted as early as the month of February—I mean, predicted in a public way, so that it would affect the public mind?

Mr. BABST. The chairman has misunderstood my answer. I said I explained to Mr. Hoover the effect of the sugar-famine stories, the sensational and alarming reports which had been put out in the months of February and March, and even into the early part of April,

which had caused an alarm among consumers, and pointed out to him the steps which we had taken to allay that alarm.

The CHAIRMAN. I think I did not misunderstand you.

Mr. BABST. Which steps consisted of assuring the people of the country by a large advertising campaign that at that time there were ample stocks of raw and refined sugar in the country to meet the country's normal demands. The word "famine" which I used did in no way refer to the conditions which have developed in this country during the fall months of this year.

The CHAIRMAN. Could we just abbreviate the answers a little bit, because I think we will get along faster? Did you tell Mr. Hoover in these early conferences that there was any danger of large demands of sugar being taken out of the American supply—exported?

Mr. BABST. I told Mr. Hoover at the end of June that by reason of the proposed action of the United States Senate in repealing the drawback provision of the tariff act, as well as imposing an excise tax of half a cent a pound on both export and domestic sugar, there was grave danger of foreign countries taking alarm, with the prospect of being shut off from taking refined sugar from American refineries, through which they had been purchasing for several years; and in order to get their supplies, of going direct to Cuba and in that way buying so heavily as to deprive this country of its supply of raw sugars, which would bring about or threaten to bring about a disturbing and troublesome situation for the United States in the fall months.

The CHAIRMAN. When did you tell Mr. Hoover that?

Mr. BABST. It was during the last days of June.

The CHAIRMAN. Prior to that you had not anticipated any such trouble?

Mr. BABST. I had not anticipated any such trouble until the 28th or 29th of June.

The CHAIRMAN. This rebate, to put it in a word, amounts to this, as I understand it, that if sugars are purchased by the American refiner in Cuba and brought to this country they pay a duty; is it of 1 or 1¼ cents?

Mr. BABST. From Cuba it is 1.02, in round numbers.

The CHAIRMAN. And if they are refined here—we will say in your refinery or in the refinery of anyone else—and then sold to be sent abroad, 99 per cent of that import tax is rebated?

Mr. BABST. Yes.

Senator LODGE. The Government takes 1 per cent.

The CHAIRMAN. If that law stood, ordinarily speaking, the foreign purchasers would purchase your refined sugars because they obtained them practically duty free? That would be the case?

Mr. BABST. Exactly the same as if those sugars were milled in transit; just as wheat from Canada is milled in transit through the Minneapolis mills, for the Liverpool market.

The CHAIRMAN. If that drawback law were repealed, then the foreign purchaser would naturally go to Cuba and buy the raw material instead of coming to the refiners of this country and buying the refined article?

Mr. BABST. Exactly, and the foreign countries would also seek to buy their refined sugar under the present world conditions in the Canadian market, where there are six cane sugar refineries with an

over capacity of 600,000 tons a year. It happened that when the repeal of the drawback was proposed and progressed to the point that it was seriously considered, foreign buyers did go to Canada and buy refined sugar for export, to the amount of 75,000 tons more than they had purchased from Canada in 1916.

The CHAIRMAN. I ask you to kindly confine yourself to the answers.

Mr. BABST. I want to give you all the facts.

The CHAIRMAN. I understand; but the amount of it all was this: If the rebate was not repealed, foreigners would buy refined sugars through the refineries here. If the rebate was repealed they would buy the raw materials in Cuba or elsewhere.

Mr. BABST. That is true for the reason that the repeal of the drawback and the imposing of an excise tax of half a cent a pound would increase arbitrarily the price of American refined sugar in the world's market over 1½ cents a pound.

The CHAIRMAN. If the drawback was repealed that change would deprive the American sugar refiner of the profit of refining, but it would not increase the demand for Cuban sugars a single pound, would it? In other words, England, desiring 100,000 pounds of sugar, would come and get it on this side of the ocean. If the drawback had been repealed they would go to Cuba and buy raw material; if the drawback had not been repealed they would buy sugar from you and other refiners that you had obtained from Cuba; but the repeal of the drawback would not increase the world consumption of sugar a bit, would it?

Mr. BABST. To give you the short answer you suggested, one can only judge of the effect by the results. England, and by that I mean the Royal Commisison on the Sugar Supply, acting for England, France, and Italy, did go to Cuba, and bought more than 200,000 tons of sugar over its purchases of 1916.

The CHAIRMAN. And decreased its purchases in refined sugar to the same amount?

Mr. BABST. Decreased its purchases in the American market to the extent of 300,000 tons, refined. In the present case the sugar purchased by England to the excess amount of 200,000 tons was the sugar which ordinarily would have come to this country in the fall months of this year.

The CHAIRMAN. Exactly; and in the meantime you had sold, with full knowledge of this situation, large quantities of sugar yourself for shipment abroad; had you not?

Mr. BABST. We have sold for shipment abroad during the year 1917 a total of 121,000 tons out of a total export of 423,000 tons. Practically all of these sales were made prior to June 28. In this total of 121,000 tons I have mentioned there were two sales made subsequent to June 28—one of 5,000 tons on July 3, and one of 15,000 tons on July 5. The circumstances relating to these two sales were as follows. It is quite important.

Senator LODGE. These were all before the Senate had acted on the drawback?

Mr. BABST. Yes. The British Royal Commission explained to us privately that they had lost a number of sugar ships by submarine sinkings, and made a special plea to us to give them sugar so that

it might be used in the canning season of Great Britain, especially in making the jams so important for the British soldiers' rations.

The CHAIRMAN. You of course knew what sugar you had shipped and what sugar you had contracted to be sent abroad. You also knew approximately what the other refiners of the country were doing, did you not?

Mr. BABST. We had no information as to anybody except ourselves, other than the customary official customs figures published by the Treasury Department.

The CHAIRMAN. Yes; and you followed those, and thus were able to know—I do not mean you knew in any improper way, but you did have a knowledge of—how much sugar was going abroad?

Mr. BABST. Only in this way.

The CHAIRMAN. Well. that way is pretty complete, is it not?

Mr. BABST. No; because customhouse figures, especially in the past summer, have been published 30 and 60 days after clearances have been made.

The CHAIRMAN. Did you not have another source of information through the sugar brokers, the men that handle these large quantities of goods for shipment abroad, or through the royal commission that seems to have talked with you or that you talked with about it?

Mr. BABST. We had no accurate information. There is street gossip which we do not and can not rely upon in such matters.

The CHAIRMAN. I do not want to get into any misunderstanding because of terms. I am not assuming that you knew absolutely, but I am asking you if in a general way you did not keep yourself posted in regard to the commitments or consignments of sugar for European use.

Mr. BABST. Only in the way which I have stated.

The CHAIRMAN. Did not that give you a pretty general understanding of the situation, reasonably accurate?

Mr. BABST. One as to which there was no way of knowing whether it was accurate or not, except that we of the American Sugar Refining Co. in this year early adopted the policy of holding our export business down to the very limit, and of absolutely refusing to take any orders for export to neutral nations.

The CHAIRMAN. Well, now, you also knew, did you not, something about the sugar market of Cuba, what was being done there, or were you in ignorance of the purchases in Cuba?

Mr. BABST. At what period of time, Mr. Chairman?

The CHAIRMAN. During the time that we are talking about.

Mr. BABST. During the time, starting very soon after——

The CHAIRMAN. Let me ask you, are there not trade journals and trade statistics that are gotten out regularly in the sugar business, showing the shipments, production, and all that? Willett & Gray get out such tables, do they not?

Mr. BABST. They do, and we ourselves get out such a bulletin, and there are various bulletins of that character. Going back to the original question, the prices of raw sugar in Cuba, starting——

The CHAIRMAN. I did not ask about prices, I asked about shipments.

Mr. BABST. I have prepared. Mr. Chairman, and I have had for some weeks, the general report which we have sent to our stock-

holders, which relates to this subject, containing many tables and graphic presentations, if the chairman is interested to see it.

The CHAIRMAN. Can you answer the question which I have just asked you, from that book?

Mr. BABST. Yes; I can.

The CHAIRMAN. I shall be interested in seeing anything you want to furnish us.

Mr. BABST. I have here the shipments from Cuba for the months of June, July, and September, compared for the years 1916 and 1917. It is on page 23 of the report. This table shows that in the four months Cuba shipped nearly 200,000 tons more in the year 1917 than we did in the year 1916 of Cuban sugar.

The CHAIRMAN. Right at that point: And was there a corresponding falling off in the shipment of refined sugars from this country?

Mr. BABST. There was more than a corresponding falling off, namely, a falling off of 300,000 tons of refined. That, however, is quite misleading as to the answer which ultimately must be given as to the present condition of the sugar market in this country.

The CHAIRMAN. Well, that is a fact that we can take as a fixed fact as we go along.

Mr. BABST. Up to that point it is a factor; yes.

The CHAIRMAN. Did you tell Mr. Hoover, along in these early conversations in the month of May and the early part of June, that there was going to be a sugar shortage in this country, or that there was not?

Mr. BABST. Such a matter as that was not discussed, and if it had been discussed, it would have been a mattter upon which I would have had no opinion whatever at that time.

The CHAIRMAN. You did not have any opinion at that time?

Mr. BABST. Not at that time. That was long prior to the introduction of the drawback repeal proposal in the Senate on June 1, and no one in the sugar world, as far as I know, foresaw what the effect of that proposed repeal was going to be and how it would be interpreted in foreign countries until about the 28th or 29th of June.

The CHAIRMAN. If you did not have any opinion about it at that time, I will ask you if you did not set aside a very large sum of money for advertising, and if you did not, as early as the month of February, the latter part of it, print these advertisements the general effect of which was that there was no sugar shortage? I will read one.

Mr. BABST. That question leads to a very——

The CHAIRMAN. I am just asking you if you did not print these advertisements?

Mr. BABST. That question leads to a very wrong conclusion. We did print the advertisements.

The CHAIRMAN. I do not care about the argument. I am asking you as a witness to reply whether you printed these advertisements at that time.

Mr. BABST. But it does not refer to a shortage of sugar.

The CHAIRMAN. Let me read one of them into the record.

Mr. BABST. And also read its date, if you will.

The CHAIRMAN. I will; yes, sir. It is in this book which you have just handed the committee, and it is on page 51, I presume. This one is not paged, but the page following is 52.

Mr. BABST. You must have the wrong document.

The CHAIRMAN (reading):

Advertisement in Boston, Washington, and New Orleans newspapers.

Mr. BABST. May I see what I have handed you? We do not seem to be in agreement at all.

Senator KENYON. Page 41.

Mr. BABST. Oh! That is what was handed to the Senate committee. That is another thing entirely.

The CHAIRMAN. The book you handed me——

Mr. BABST. We all have this book. That was filed last June.

The CHAIRMAN. Very well. It was filed by your company just the same?

Mr. BABST. Last June.

Senator LODGE. It was presented to our committee.

The CHAIRMAN. Now, I will read one of these advertisements and the committee will get the import from that. It is right in here [reading]:

EXHIBIT No. 39.

Advertisement in Boston, Washington, and New Orleans newspapers. In Advertiser, American, Financial News, Globe, Herald, Journal, News Bureau, Post, Record, Transcript, Traveller, of Boston, February 21, 1917. In Post, Star, and Times, of Washington, February 23, 1917. In Times-Picayune, Item, and Daily States, March 17, 1917.

"We greatly deprecate the publicity being given to sensational stories as to the refined-sugar supply, which are calculated to advance the price of sugar unnecessarily to consumers. There are ample supplies of raw and refined sugar on hand and in transit throughout the country to take care of normal consumption. We are operating all of our refineries and expect so to continue.

"These sensational reports now being put out bear the earmarks of clever publicity work. It would seem as if they were being circulated by western labor agitators as an aid to their present program of labor agitation at our refineries.

"As is well known, this company has been selling large quantities of sugar at a quarter to a half cent a pound below existing market prices, and is taking care of its normal trade at all points. Its deliveries to the domestic trade up to this date are greater than for the same period of 1916.

"Housewives should pay no attention to the unfounded stories as to the shortage of sugar.

"THE AMERICAN SUGAR REFINING CO.,
"EARL D. BABST, *President.*

"FEBRUARY 20, 1917."

Mr. BABST. That advertisement related entirely to conditions brought about by strikes in eastern refineries in February, and in no way was connected with the conditions which arose in this country beginning with practically the 1st of July.

The CHAIRMAN. Let the committee judge. The advertisement speaks for itself. Now, let us proceed.

Mr. BABST. It speaks for itself if you associate it with its date.

The CHAIRMAN. I have given the date. I will read one now that appears here of March 1, 1917 [reading]:

EXHIBIT No. 40.

Coincidentally with the attempt to organize our employees sensational stories have appeared as to the refined sugar supply which are calculated to advance the retail price of sugar unnecessarily to consumers.

These sensational reports bear the earmarks of clever publicity work. It would seem as if they were being circulated by western labor agitators as an aid to their present program of labor agitation at our refineries.

Consumers will only embarrass each other by stocking up ahead for weeks and months. Do not buy more than your regular needs.

As is well known, we have been selling large quantities of sugar at a quarter to a half cent a pound below existing wholesale prices and are taking care of our normal trade. Our deliveries to the domestic trade up to this date are greater than for the same period of 1916. We are operating all of our refineries and expect so to continue.

OUR POSITION AND RESPONSIBILITY.

We and the other sugar refiners are charged with the responsibility of safeguarding the sugar supply of America, made especially difficult at this time by unprecedented world conditions.

That the price of refined sugar to domestic consumers has remained lower than that prevailing in any foreign country illustrates how well that responsibility is being met.

We do not propose to hand over the control of this industry to any outside organization, no matter of what name or whence it hails.

With the continued support of the citizens of New York, we propose to continue the operation of our refineries as our first and foremost duty to the public and to our loyal employees.

To this end we shall use all proper and lawful means, be the cost what it may.

THE AMERICAN SUGAR REFINERIES CO.,
EARL D. BABST, *President.*

THE CHAIRMAN. I want to ask you just about one sentence in that:

We and the other sugar refiners are charged with the responsibility of safeguarding the sugar supply of America, made especially difficult at this time by unprecedented world conditions.

The CHAIRMAN. Do you recognize that as a duty that devolves upon these great industrial concerns like yourself who supply the market?

Mr. BABST. I wrote that sentence, which is a practical excerpt from similar sentences which I have used on several occasions, and especially in the annual report to the stockholders.

The CHAIRMAN. I just asked you if you recognized that——

Mr. BABST. I do.

The CHAIRMAN. And do you also adhere to the position that is stated in the following sentence [reading]:

That the price of refined sugar to domestic consumers has remained lower than that prevailing in any foreign country illustrates how well that responsibility is being met.

Mr. BABST. I do, fully and emphatically, as it is a fact well known.

The CHAIRMAN. Well known; and up to the time, at least, that you printed this statement the great refiners of the country and the great beet sugar manufacturers of the country had looked out to see that the people of the United States had sugar in sufficient quantities, and had taken care of the problem. That is true, is it not?

Mr. BABST. We had. We have taken care of the problem from the very beginning of the world war and have succeeded beyond what has been attained by any other country, even though they created powerful governmental commissions and had complete control and nationalized their shipping and tonnage.

The CHAIRMAN. You did that, and never had a real shortage in sugar that pinched the people, until what time?

Mr. BABST. The real pinch, as you express it, which occurred in the Atlantic Coast and Eastern States, began in October of this year, following upon the closing of numerous refineries in this country.

The CHAIRMAN. And that date in October was after what had transpired with reference to the sugar business, in the nature of control? I will ask the question in another way. When was it that the great refiners signed that agreement that has been referred to here in testimony, by which they agreed to the control of their business?

Mr. BABST. They signed the agreement approximately on the 10th of October, subsequent to the closing of the refineries, which started in the Franklin Refinery, at Philadelphia, on September 15; Arbuckles, in Brooklyn, on September 19; Colonial Refinery, in Louisiana, on October 4; Henderson Refinery, at New Orleans, on October 5; Franklin Refinery on October 6; the Federal on October 8; the American, Brooklyn, on October 9; the Imperial, Sugarland, Tex., on October 13; Warner, October 18; American, at New Orleans, October 18; National, at Yonkers, on October 19; Savannah, at Savannah, Ga., on October 20; American, at Boston, on October 24; which meant that all of the sugar refineries in the United States were closed on or about October 24, 1917, except a refinery belonging to this company at Jersey City and three refineries which were receiving Hawaiian raws, namely, the refinery of the Pennsylvania Sugar Refining Co. at Philadelphia, of the Western Sugar Refinery, and California & Hawaiian Sugar Refinery at San Francisco, and the National Sugar Refinery at Long Island City, which last sugar refinery also received Hawaiian raws. That is the general statement of the situation.

The CHAIRMAN. What made these sugar refineries close—shortage of sugar?

Mr. BABST. Lack of raw sugar to operate them was the immediate cause.

The CHAIRMAN. What was the occasion of them being unable to get the raw sugar?

Mr. BABST. Would you like to have me give you a comprehensive statement of what my judgment is as to what is causing the sugar shortage?

The CHAIRMAN. Was there not something going on here in Washington that interfered with the Cuban market?

Mr. BABST. Nothing, so far as the Food Administration or the Government of the United States were concerned.

The CHAIRMAN. Were there not some embargoes going on?

Mr. BABST. Not at that time.

The CHAIRMAN. Had it not been announced that there was going to be a taking possession of the sugar business, or a control of the sugar business? Had that not been announced for some time? Had not sugar men been called here to Washington for some time, and had they not been told that this was coming?

Mr. BABST. On the 5th day of September the refiners of the country were called to Washington, and on the 10th day of September the repeal of the drawback was defeated in the Senate by a vote of 69 to 11.

The CHAIRMAN. On September 5 the refiners were called here to Washington. By whom were they called?

Mr. BABST. They were called either by Mr. Hoover directly or by his chief of the sugar division, Mr. George M. Rolph.

The CHAIRMAN. He already had a sugar division organized at that time, did he?

Mr. BABST. On the 5th of September he had, Mr. Rolph having been appointed on the 15th of August.

The CHAIRMAN. So that a sugar division had been created at least as early as the 15th day of Auugust, and Mr. Rolph had been appointed chief of that division?

Mr. BABST. That is right; yes, sir.

The CHAIRMAN. Had it opened up headquarters somewhere, do you know? Where was Mr. Rolph operating from?

Mr. BABST. The meeting which I attended with the other refiners was at the Gordon Hotel, in Washington.

The CHAIRMAN. Did Mr. Rolph have headquarters there at that time?

Mr. BABST. That I do not know. I only saw him in the meeting which was in that building.

The CHAIRMAN. You had known, from the time that Mr. Rolph was appointed, in August, that some sort of control or regulation was proposed for the sugar business, had you not?

Mr. BABST. We had, yes; all refiners knew that.

The CHAIRMAN. And you had known that, in fact, practically from the time that you first began to have your conferences with Mr. Hoover, away back in May?

Mr. BABST. I expected it, naturally, from June 11, when the food-control bill was introduced in Congress.

The CHAIRMAN. You expected it even before that, because it was announced publicly to the country that Mr. Hoover had been brought here, and was going to take control.

Mr. BABST. There was newspaper and other information of that kind.

The CHAIRMAN. And you had had conferences with Mr. Hoover yourself?

Mr. BABST. I had.

The CHAIRMAN. What were you talking to Mr. Hoover about except the sugar investigation?

Mr. BABST. Nothing else.

The CHAIRMAN. And you were talking about the control of the sugar question early, just after he came here, were you not?

Mr. BABST. I was.

The CHAIRMAN. Now, Mr. Babst, to be just entirely frank, and to get the matter in the record in a word, you understood, and all the other sugar men understood, long before the month of September, that in all probability there was going to be a radical interference—I do not say a bad one, but a radical interference—with the sugar business?

Mr. BABST. That is perfectly true. But it is also perfectly true that this information had nothing whatever to do with the causes which have led to the present investigation.

The CHAIRMAN. I am trying to get a fact from you. Will you not let the committee draw its conclusion from the facts?

Mr. BABST. I do not wish the committee to draw wrong conclusions, Mr. Chairman.

The CHAIRMAN. Very well. They may call on you for your expert opinion. But just now I am simply trying to get some facts as we

go along. The reason these refineries quit refining at the dates given is because they were out of Cuban sugar?

Mr. BABST. And of all other sugar.

Senator LODGE. Could they have gone into the market and bought any sugars that there were, at any market price?

Mr. BABST. On what date, Senator Lodge?

Senator LODGE. I mean at the time of the closing. Were they able then to go into the market and buy any sugars that they could get?

Mr. BABST. Statistically there were available sugars.

Senator LODGE. I did not ask what there were available statistically. I wanted to know whether they were stopped from going in.

Mr. BABST. Not stopped from buying until a subsequent date, which I have not got here, requesting that, inasmuch as the practical supply had been exhausted, refiners should not attempt to purchase supplies which would——

Senator LODGE. They were asked, then, by the Food Administration, not to buy?

Mr. BABST. Because there were practically no supplies to buy.

Senator LODGE. I asked if they were asked by the Food Administration not to buy.

Mr. BABST. I can produce the letter which we received.

Senator LODGE. Of course, if there were no supplies, they could not buy.

Mr. BABST. That is the reason that we did not buy.

Senator LODGE. Why did you ask them not to buy if there were no supplies that they could buy?

Mr. BABST. Because the supply was a fragment, a remnant.

Senator LODGE. Then there were some supplies?

Mr. BABST. There were at that time.

Senator LODGE. And they were asked not to buy?

Mr. BABST. But those supplies which they were asked not to buy, were secured afterwards and distributed.

The CHAIRMAN. But the question is, Were they asked not to buy?

Senator LODGE. That is the question I have been trying to get a straight answer to.

Mr. BABST. We will give you the exact request we had.

The CHAIRMAN. Let us have it. We will now recess until 2 o'clock.

(Thereupon the committee took a recess until 2 o'clock p. m.)

AFTERNOON SESSION.

The subcommittee reassembled, pursuant to the taking of the recess, at 2 o'clock p. m.

TESTIMONY OF MR. EARL D. BABST, PRESIDENT OF THE AMERICAN SUGAR REFINING CO., NEW YORK CITY—Resumed.

The CHAIRMAN. The committee will be in order, and we will resume the hearing of Mr. Babst.

I asked you for a letter, I believe, just before recess.

Mr. BABST. Mr. Chairman, before you take up the letters, might I make a statement on the record in regard to the exports of the American Sugar Refining Co., which I testified this morning

amounted to 121,000 tons? Inasmuch as Mr. Spreckels yesterday was asked a similar question and testified that his export business was about 40 per cent of his whole business, I would like to state that the export business done by the American Sugar Refining Co. in 1917 amounted to about 11½ per cent of its total business.

The CHAIRMAN. Have you the letters I asked for?

Mr. BABST. I hand you all the letters which we have from Mr. Hoover or from the Food Administration relating to the purchase of raw sugar, the letters being dated August 25, September 17, and September 26, 1917.

(The letters referred to are here printed in full in the record, as follows:)

EXHIBIT No. 41.

UNITED STATES FOOD ADMINISTRATION,
Washington, August 25, 1917.

THE AMERICAN SUGAR REFINING CO.,
117 Wall Street, New York City.

GENTLEMEN: With the appointment of the President, in accordance with the provisions of the food-control act approved August 10, 1917, the undersigned, as United States food administrator, has entered into a voluntary agreement with the sellers and producers of beet sugar whereby they will quote a maximum price for their 1917–18 crop, beginning with its production about the 1st of October, of $7.25 cane basis seaboard refining points.

Would it not be advisable for you to reduce your offers for Cuban sugar to a basis which will enable you to compete with the beet sugar? Other large buyers will, no doubt, reduce their bids likewise.

Yours, faithfully,

HERBERT HOOVER,
United States Food Administrator.

EXHIBIT No. 42.

UNITED STATES FOOD ADMINISTRATION,
Washington, September 17, 1917.

THE AMERICAN SUGAR REFINING CO.,
117 Wall Street, New York City.

GENTLEMEN: As you are probably aware, there is comparatively little sugar left in Cuba unsold. The best estimates we have would indicate that there is 40,000 tons or less. This amount is so small that if it were apportioned to all refiners it would not keep any of them running more than a day or two at the most. Under the circumstances, we would kindly request that no offers for Cuban sugar be made by you at this time. We consider it would be advisable for the best interests of the country for you to close your refineries in due course, when your present stocks of raw are exhausted, rather than bid up the price of Cuban sugars to secure the last remaining lot that is there. Public announcement that it is your intention to close rather than pay over 5.75 to 6 cents for raws, duty paid, will help the general situation a lot. We ask for your earnest cooperation between now and the beginning of the next Cuban crop in this particular matter.

Yours, very truly,

UNITED STATES FOOD ADMINISTRATION,
Per GEO. M. ROLPH.

EXHIBIT No. 43.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., September 26, 1917.

THE AMERICAN SUGAR REFINING CO.,
New York, N. Y.

GENTLEMEN: Beg to advise that we have requested the American members of the International Sugar Committee to take over and arrange for the pur-

chase and distribution of the remainder of the Cuban crop, comparatively little of which is left unsold in Cuba. Prompt action will be taken by the committee and your interests will be fully safeguarded in regard to price and quantity.

Messrs. Earl D. Babst and William A. Jamison are the active members of the committee handling this situation, and any communication addressed to them will result in prompt response.

Trusting this arrangement will be acceptable to you, as it is a matter of public interest to handle it in this way, we are,

Very truly, yours,

UNITED STATES FOOD ADMINISTRATION,
By GEO. M. ROLPH.

The CHAIRMAN. I was inquiring and trying to get at the early conferences that you had with Mr. Hoover and your first communication from him. You hand me these letters with the qualification in your statement that they are the first in regard to the prices of sugar, or agreements. Did you have previous letters from Mr. Hoover, or telegrams from Mr. Hoover, calling you into conference, or with reference to any other matter, Mr. Babst?

Mr. BABST. I did not.

The CHAIRMAN. How did you come to get into these earlier conferences with Mr. Hoover, then?

Mr. BABST. The conference in May, the invitation came to me through a Mr. Cotinette, of Philadelphia, who had been a member of Mr. Hoover's staff in Belgium. It was a verbal invitation, delivered through Mr. George H. Frazier, one of the vice presidents of our company.

The CHAIRMAN. You met Mr. Hoover a number of other times between that time and August 25. How did you come to meet him on those occasions; were you invited orally or by letter or telegram, or how?

Mr. BABST. I never was invited by letter or by telegram. When I called on him in May he asked me to call upon him again when I was in Washington. I think I called on him in the same manner, possibly, two or three times. I did go, however, to him voluntarily in the month of June, the exact date of which I can not now fix, but I believe it to be the latter part of June, to explain to him the serious effect which the proposed repeal of the drawback was having upon the world's sugar market.

The CHAIRMAN. Yes; I understand. We understand about the world's drawback and its serious effect. The serious effect would be that the raw sugars might be bought in Cuba and might not come to your refineries to be refined; but the net consumption of sugar in the world would be just the same, would it not?

Mr. BABST. That is true; but the serious effect that we then had in mind was that it was very rapidly raising the price of raw sugar in Cuba, as you can see from this chart, when the price of Cuban raw sugar—what we know as spot cost and freight, New York basis, duty paid, rose from the 20th of June from 5.96 to 7.52 on the 7th of August. At that time I believe I called on Mr. Hoover in May. As to the exact date of that I am uncertain. This chart shows that the price of duty-paid, delivered Cuban sugar in New York rose from 5.96 on the 20th of June to 6.52 on the 29th of June.

Senator LODGE. Duty paid?

Mr. BABST. Duty paid. This chart, which has been prepared to illustrate the price of duty-paid raw sugar in New York from the 1st

of January down to the present time, and which was requested by the chairman yesterday from the preceding witness, also shows and is prepared to show which refiner made the first advance in the raw market; in other words, which New York refiner or operator, by first buying at an advanced price, advanced the market. This chart shows that Mr. Spreckels's company, the Federal Sugar Refining Co., advanced the market nearly one-half of all the advances made during the year; in other words, 17 times out of 41 times at which they were advanced.

The CHAIRMAN. Now, Mr. Witness, did I ask you any question bearing any relation to your answer?

Mr. BABST. No; but I understand, Mr. Chairman, that I have the privilege——

The CHAIRMAN. You are privileged to sit here and answer questions that are asked you.

Mr. BABST (continuing). To explain matters.

The CHAIRMAN. And we are not interested in controversies between yourself and Mr. Spreckels.

Mr. BABST. But you have been, Mr. Chairman.

The CHAIRMAN. No; we asked Mr. Spreckels questions which we thought had something to do with this hearing. We do not want to be involved in these controversies and we are not going to be. We have conducted ourselves with considerable leniency, but we must insist that this committee is conducting this investigation and not the American Sugar Refining Co., and that will be adhered to with somewhat greater restriction.

Mr. BABST. Mr. Chairman——

The CHAIRMAN. I did not ask you about this chart, but we are glad to have it, with your statement that it is correct.

Mr. BABST. I made a statement of other matters which that chart shows, as part of my statement.

The CHAIRMAN. It is in the record, and it is pertinent.

Now, the question I am going back to, and about which I am still talking, is how you came to go to see Mr. Hoover on these various occasions. What business were you there to discuss? What were you discussing?

Mr. BABST. On the occasion that I last referred to, in the latter part of June—what its exact date was I do not now recall—I was there to explain to him the fear I had of the serious effect on the world's sugar market of the proposed repeal of the drawback, and I think at that time also of the levying of a half a cent a pound excise on exports of refined sugar from this country.

The CHAIRMAN. When did you first begin to discuss with Mr. Hoover and others the proposition of governmental agencies taking over the control of the sugar market—the sugar situation; I will put it that way?

Mr. BABST. I practically never discussed that question with Mr. Hoover. I answered certain questions of Mr. Hoover as to the conditions prevailing in the American market in 1917. In the month of August, in which the food-control bill was passed, on the 10th day of August, and Mr. Rolph was appointed on the 15th day of August and the New York Sugar Exchange closed on the 16th day of August——

The CHAIRMAN. Oh, now——

Mr. BABST (continuing). I was not in—I was on my vacation, except as to three days when I was in New York.

The CHAIRMAN. Could you not give me a direct answer now to one or two questions?

Mr. BABST. I produce that letter of August 21 sent to the Finance Committee.

The CHAIRMAN. When did you first understand that the sugar situation was going to be brought under governmental supervision? When did you first understand that? When was it first generally understood in the trade?

Mr. BABST. Not until June 11, 1917, when the food-control bill was introduced in Congress.

The CHAIRMAN. I want to read you from this statement that you have put in here.

Mr. BABST. There was, of course, a great deal of talk in the newspapers about the prospect, and I thoroughly understood from the conversations I had with Mr. Hoover what was being considered, so far as controlling sugar in a manner similar to the control of sugar in Great Britain and France and Italy——

The CHAIRMAN. I thought you would say that.

Mr. BABST. In fact, as early as April 26, 1917, I issued a public statement, which is printed in this report on pages 45 and 46, in which I expressed approval of a plan which Mr. Hoover and Baron Davenport, the British food controller, at that time made.

The CHAIRMAN. I do not want that. I asked you a very direct question, which was susceptible of a very direct answer. Now, as a matter of fact, on April 26 you gave out a statement in which you said that you approved the interallied cooperation for handling food as outlined in cabled interviews with Mr. Herbert C. Hoover and Baron Davenport, British food controller. You gave that statement out, did you not?

Mr. BABST. I did; and it was——

The CHAIRMAN. And you knew at that time, of course, this plan was contemplated?

Mr. BABST. I did not.

The CHAIRMAN. And knew that Mr. Hoover had given out an interview to that effect?

Mr. BABST. I did; but Mr. Hoover was then in London.

The CHAIRMAN. Exactly; and had cabled this to this country?

Mr. BABST. Yes; I did.

The CHAIRMAN. And from that time on, now, is it not a fact that you understood substantially that this plan was very likely to be adopted?

Mr. BABST. I was very hopeful that it would be adopted.

The CHAIRMAN. Did you not understand that it would be?

Mr. BABST. I did not.

The CHAIRMAN. I want to call your attention to this statement contained in your book. I am going to read the context. I read as follows, from page 25 of this book [reading]:

EXHIBIT No. 44.

From the first the American Sugar Refining Co. has met the demands of the Government, and as a matter of fact on April 26, 1917, long previous to the passage of the food-control bill, President Babst in a public statement, which

is reprinted on pages 45 and 46, indorsed the Hoover "plan by which the allies can consolidate under one head the whole purchasing of food staples."

For the purpose of carrying into effect the purposes of the Food Administration and following a month's negotiations between the company and Mr. Hoover and Mr. Rolph, the United States Food Administration wrote a letter to this company requesting the company to enter into a voluntary agreement with it for the purchase of imported raw sugar through the International Sugar Committee and the sale of refined at a maximum refining margin of 1.30 cents net per pound for fine granulated sugar in barrels f. o. b. refinery. (See letter of October 6, 1917, printed on pages 77 and 78.) The legality of the agreement had been approved by the Attorney General of the United States, and at a meeting of the board of directors held on October 9, 1917, the president of this company was duly authorized to execute it. The voluntary execution of this agreement at the urgent request of the Food Administrator and the efforts of the company to make effective the plans and aims of the United States Food Administration attest to the sincere purpose of the company to meet the request of the Government in the present emergency.

All other American refiners were also requested by the Food Administrator to execute similar voluntary agreements with him and one and all met his wishes in the matter.

Previously and in August, as is recited in the statement of the Food Administration referred to, "representatives of 85 per cent of the domestic beet-sugar industry met with the Food Administration in Washington and pledged the interests which they represented to maintain a price for their product of not to exceed 7.25 cane basis seaboard refining points from the beginning of the crop starting in October until same had been distributed." The price for domestic beet sugar then agreed upon and later accepted by the entire domestic beet industry is not one, however, that the company can meet on the present price of raw cane sugar or on any basis prevailing since last June.

It should also be borne in mind that the company has been under notice of governmental supervision since the food-control bill was first introduced in Congress and has been compelled to shape its policy with such supervision in prospect. As early as July 27 this company in its Trade Bulletin reviewed the situation confronting the industry and made this very pertinent statement:

"It should be recorded that the United States refiners are and have been under notice of Government control. The position of the United States refiners, therefore, so far as the risk of inventory is concerned, has been weakened by such notice and made uncertain. Under these circumstances the refiners have been largely relieved of the responsibility of safeguarding the United States supply."

The CHAIRMAN. You made that statement, did you not, Mr. Babst? This is you statement, is it not?

Mr. BABST. It has my approval.

The CHAIRMAN. And you agree with it now?

Mr. BABST. I do.

The CHAIRMAN. A while ago you stated that in the absence of Government control you regarded it to be the duty of the refiners and great dealers to see to it that the market was supplied if it was possible to supply it by a reasonable act, and that obligation you regarded as continuing until "under these circumstances the refiners have been largely relieved of the responsibility of safeguarding the United States supply." In other words, the responsibility which had theretofore been upon the refiners now moved over to those who undertook to control the sugar supply, did it not?

Mr. BABST. Not entirely.

The CHAIRMAN. If it did not entirely, then in so far as the refiner was relieved of his responsibility it must have been devolved upon the power or force that had undertaken to handle the situation. Is not that true?

Mr. BABST. Whenever that situation was finally put into their hands, it was then their responsibility. We, however, having had

notice of governmental control, naturally shaped our policies in view of such governmental control. We, however, carried as large an inventory of raw sugar——

The CHAIRMAN. I did not ask you that. I am asking the question simply of your attitude, where the responsibility was, in your judgment. I am not asking you what you did under it. That is a different question. You have already put in your tables.

Mr. BABST. If you are inquiring into the conditon of the present sugar situation, it is necessary for you to know how we acted under our responsibility.

The CHAIRMAN. Very well. We will get at that. One thing at a time. You did receive on August 25 this letter which you have handed me and which bears that date, from Mr. Hoover, and I would like to put that in the record.

(The letter referred to is marked "Exhibit No. 41" and is printed in full on page 183 of this record.)

The CHAIRMAN. You got that letter from Mr. Hoover, did you not?

Mr. BABST. Yes; our company did.

The CHAIRMAN. Up to that time had you been buying Cuban sugars?

Mr. BABST. Shall I give you the purchases by weeks? That will be an easy way to do it.

The CHAIRMAN. Yes, sir; give us your purchases and your prices.

Mr. BABST. Do you wish the prices as well?

The CHAIRMAN. If you can do it conveniently I would very much prefer having the prices right in connection with the purchases, and also please state clearly—you will understand the importance of it—what price you are giving; that is, whether it is the price Cuba f. o. b., or what it is.

Mr. BABST. I will give the purchases by weeks, and give the average cost, duty paid New York.

The CHAIRMAN. Duty and freight paid?

Mr. BABST. Yes; that is, the cost and freight duty paid; delivered New York.

For the week of August 3 we purchased 28,014 tons, at an average cost of 7.11 cents.

The week ending August 11 we purchased 10,475 tons, at an average cost of 7.51 cents.

The week ending August 18, 1917, we purchased 3,745 tons, at an average price of 7.27 cents.

We made no purchases for the week ending August 25.

For the week ending September 1 we purchased 6,807 tons, at an average cost of 7 cents.

We made no purchases in the week of September 15.

The CHAIRMAN. That jumps from the 1st to the 15th?

Mr. BABST. Yes, sir.

The CHAIRMAN. Any on the 8th?

Mr. BABST. None for the week of the 8th, and none for the week of the 15th. And for the week of September 22 we purchased 2,957 tons, at an average cost of 6.90 cents. We made no purchases in the week of September 29. We made no purchases in the week of October 6. For the week ending October 13 we purchased 3,132 tons, at an average cost of 6.88 cents.

The International Sugar Committee was appointed on September 20, and on September 26 all of the American refiners were notified that the purchases from that time forward were in the hands of the International Sugar Committee. So that sugars which I speak of as having been purchased in those weeks were really assigned to us, as I now recall, by the American members of the International Sugar Committee. How far do you wish me to go with the figures?

The CHAIRMAN. You have got down to a point now where the International Sugar Committee is handling the purchases.

Mr. BABST. Yes; past that point.

The CHAIRMAN. I will thank you now if you will go back. You began with the 3d of August. I wish you would give us your purchases from June and the prices—say, from the 1st of June on.

Mr. BABST. We can give you a table; but I will give you what is here, and then supply it.

Week ending—	Tons purchased	Cost.	Week ending—	Tons purchased.	Cost.
June 2, 1917	15,233	5.89	July 14, 1917	29,928	6.34
June 23, 1917	29,197	5.98	July 21, 1917	51,848	6.57½
June 30, 1917	4,427	6.02	July 28, 1917	22,988	6.67
July 7, 1917	34,214	6.37			

The CHAIRMAN. We already have August 4. We had all of August, except that there was an omission.

Mr. BABST. No; the omission was in June. I can give you the month of June as a whole, but I think we had better work it out by weeks, and then there will be no question at all.

The CHAIRMAN. During the time you were buying sugar in this way—you have now brought the matter down to August—were sugars also being bought in Cuba by foreign countries?

Mr. BABST. Between which dates?

The CHAIRMAN. During the period of time that is covered by these dates you have just given me. We began with the week ending June 2, and we ran on down to the date of the appointment of the International Committee, which was September 20. I am asking you if during that same period foreign governments were purchasing in Cuba?

Mr. BABST. They were. Taking the matter up by weeks——

The CHAIRMAN (interrupting). Without taking it by weeks, could you give it to us by months quickly, or is it easier to get at it more quickly by weeks?

Mr. BABST. To get at it accurately it ought to be presented to you in a table.

Senator KENYON. Can you not fix up a table and put it in the record?

Mr. BABST. I can say, however, that there were large purchases by foreign governments in this period.

The CHAIRMAN. Can you now approximate it for my benefit, reserving the right to put in a table and correct the figures?

Senator VARDAMAN. I would let him put it in as he wants to.

The CHAIRMAN. When I say foreign governments I do not mean the governments; I mean people outside of the United States—governments and people. What were the foreign purchases?

Mr. BABST. I do not believe it would be possible to answer that question without special examination in Cuba. We have the shipments from Cuba by the months.

The CHAIRMAN. That is what I want, the shipments. I get inaccurate about these terms. I do not suppose you could tell about private purchases. But you could tell about the shipments.

Mr. BABST. On page 23 of the report there is a table at the bottom of the page giving the shipments out of Cuba for the months of June, July, August, and September, for the years 1916 and 1917. Such table shows that during the months of June, July, August, and September, 1916, there were shipped out of Cuba 246,095 tons and during the same months of 1917 there were 436,253 tons.

The CHAIRMAN. And this table also shows the amount that was shipped by months.

Mr. BABST. Shipped by months. Senator Reed, you, of course, understand that by shipments we do not mean or intend to in any way infer that the sugar was purchased and then shipped. These purchases shipped in June were made earlier, and shipments made in July were purchased earlier. But that shows the actual movement of the sugar for those four months, showing a movement of 200,000 tons larger in these four months of this year than the corresponding four months of last year.

The CHAIRMAN. And, of course, you do not mean to say, Mr. Babst, that the purchase of beet sugars for the European market was made any longer in advance than probably the American purchases. There were in the Cuban market Americans buying sugar and Europeans buying sugar during all of these months?

Mr. BABST. That is true; but as to the time Europe purchased, that they tried to keep very confidential, and we have no accurate information as to that.

The CHAIRMAN. You were buying?

Mr. BABST. We were buying; all refiners were buying.

The CHAIRMAN. You were not the only American sugar refinery buying, but all the refineries on the Atlantic coast were equally trying to get sugar in Cuba, were they not, and were getting it?

Mr. BABST. That is always true; it was true then.

The CHAIRMAN. That was the situation up to the time when Mr. Hoover wrote you this letter of August 25?

Mr. BABST. Entirely correct.

The CHAIRMAN. And when you got this letter of August 25 did you heed the request Mr. Hoover made, which is—

> Would it not be advisable for you to reduce your offers for Cuban sugars to a basis which will enable you to compete with the bid price? Other large buyers will no doubt reduce their bids likewise.

Did you reduce your bids for Cuban sugar?

Mr. BABST. In the first place, a sugar refiner never makes a bid for sugar. A refiner only accepts offers.

The CHAIRMAN. Permitting me to have the same lack of knowledge in regard to terms as Mr. Hoover had——

Mr. BABST. That is quite an important consideration.

The CHAIRMAN (continuing). And translating the technical mistakes of both of us into sugar language, did you comply with the request of Mr. Hoover, reducing your offerings or your prices?

Mr. BABST. Our acceptance of offers?
The CHAIRMAN. Yes.
Mr. BABST. We did naturally comply.
The CHAIRMAN. Do you know whether other sugar refiners who had been in the Cuban market, as you were, received similar requests from Mr. Hoover?
Mr. BABST. I assume they did and I assume they likewise complied. At the moment there was almost no sugar offering.
The CHAIRMAN. And yet Mr. Hoover saw fit——
Mr. BABST. Because there was none to offer.
The CHAIRMAN. He wrote you this letter. He evidently thought there was some offering, did he not?
Mr. BABST. We interpreted the letter quite differently. We interpreted this letter as a suggestion from him that, there being practically little or no sugar to be purchased, if there was the ordinary scramble of competition to get hold of the few supplies there were in Cuba, our price for sugar would go even higher than it had.
The CHAIRMAN. Mr. Babst, you know that within the four corners of that letter there is not a single word that would justify your comment.
Mr. BABST. I am merely giving you our interpretation of the suggestion.
The CHAIRMAN. I am talking about what is in the letter.
Mr. BABST. I am talking from a knowledge of the actual conditions at that time.
The CHAIRMAN. You got a letter from Mr. Hoover September 17, did you not?
Mr. BABST. This is one of the letters I handed you; yes.
The CHAIRMAN. I have not read it, but I am going to read it into the record.
(The chairman thereupon read the letter, which is Exhibit No. 42, and will be found printed in full on page 183 of this record.)
The CHAIRMAN. That was received on September 19, and you say that the International Committee was appointed on September 20?
Mr. BABST. And the Franklin Sugar Refining Co., of Philadelphia, was closed on September 15. Arbuckle Bros., of Brooklyn, closed on September 19, the very date of that letter.
The CHAIRMAN. So it is likely that all these companies received similar communications?
Mr. BABST. No. It is the fact that the supplies were so meager that at that time those two refineries already were compelled to close down by reason of the lack of supplies.
The CHAIRMAN. We will get to the question of whether they were compelled to close or not. In other words, you take the position that when Mr. Hoover wrote you this first letter asking you to not bid on Cuban sugar there was not really anything there to buy anyhow, and Mr. Hoover did not know what he was talking about?
Mr. BABST. No; there was not anything there that was worth buying, anyhow. There was a great demand and there was no supply to speak of.
The CHAIRMAN. You got a letter of September 26 also, did you not?
Mr. BABST. We did.

(The chairman thereupon read the letter, which is Exhibit No. 43, and will be found printed in full on page 183 of this record.)

The CHAIRMAN. That letter was sent to the American Sugar Refining Co., of which you were the president?

Mr. BABST. That is correct.

The CHAIRMAN. And you were one of the members of this International Committee?

Mr. BABST. That is correct.

The CHAIRMAN. When did you become aware that the sugar supply in Cuba was substantially exhausted?

Mr. BABST. I had been very much concerned about the supply for some time, but I did not learn the actual condition in Cuba until I became a member of the International Sugar Committee.

The CHAIRMAN. Mr. Babst, how far back had you been concerned? How long before you became a member had you been really concerned about the supply in Cuba being exhausted?

Mr. BABST. Since the 29th of June, 1917.

The CHAIRMAN. What happened on the 29th of June that caused you to become alarmed?

Mr. BABST. I was in Washington on the 28th of June, and realized that the prospect of the Senate Finance Committee changing its action in regard to the repeal of the drawback was very slight.

Senator LODGE. I had something to do with the repeal of the drawback; at least, I had something to do with opposing the repeal of the drawback. Did the fact of whether we left it in or took it out affect the world's supply?

Mr. BABST. It affected the available supply for the United States.

Senator LODGE. Yes; but not the world's supply?

Mr. BABST. No. But there are two kinds of sugar in the world, available sugar and unavailable sugar. Unavailable sugar is of no more use than gold which has not been mined.

The CHAIRMAN. Why was it not available?

Senator LODGE. Why was it not available? It was taken to England raw. That was the objection you made before the Finance Committee.

Mr. BABST. It was not available to this country.

Senator LODGE. One of your objections was that you would not get the benefit of refining it in this country. That objection you made over and over again before the Finance Committee.

Mr. BABST. That is absolutely true, and followed out by the full operation of the year.

Senator LODGE. What difference did it make on the world's supply whether it came into this country refined and went out, or whether it went out as raw sugar? We got it in either event.

Mr. BABST. Not at all, Senator Lodge.

Senator LODGE. Your argument now does not coincide with your argument then.

Mr. BABST. Entirely.

Senator LODGE. Allow me to differ.

Mr. BABST. In my judgment; I beg your pardon. In my judgment, it is one and the same argument, and the facts have sustained the whole development.

Senator LODGE. I listened to you some hours, and the argument was very different.

The CHAIRMAN. Let us see. There is a certain amount of sugar in the world. The passage of a law would not take one pound out of the world—that is, it would not absolutely destroy the sugar—the sugar would be left, would it not?

Mr. BABST. Somewhere in the world; yes.

The CHAIRMAN. If the law had been repealed, then a large part of the sugar which would have come into the United States to be refined would not have come to the United States, but would have been purchased and taken directly to England, or to some place in Europe, some place outside?

Mr. BABST. Canada, more likely.

The CHAIRMAN. More likely to Canada, and there refined.

Mr. BABST. That is perfectly true, Senator Reed.

The CHAIRMAN. Let me follow that up.

Mr. BABST. You will only lead to a false conclusion.

The CHAIRMAN. No; I am not going to lead to a false conclusion.

Mr. BABST. I am trying to help you to the right one.

The CHAIRMAN. If the law were not repealed, the sugar would come to the American sugar mill and be there refined. That is true, is it not? So that the sugar would either be sent to America to be refined, or it would be sent to Europe to be there refined, or to Canada to be there refined. That is true, is it not? Now, is that not true? It is so obvious that one ought not to ask it.

Mr. BABST. The two statements are true. But neither statement is complete, so far as it applies to the situation, because time and condition are elements in sugar markets, as in every other staple market.

The CHAIRMAN. You say that the threat of the repeal of the drawback caused England, or Europe, to rush into the Cuban market and buy sugars there to be refined in Europe, or to be refined in Canada, or to be refined some place else. That is one of your statements, is it not?

Mr. BABST. That is correct.

The CHAIRMAN. Is it not true, that notwithstanding the fact of this threatened drawback, notwithstanding the fact of all this raid on the Cuban sugar market, that still Europe came to this country and purchased of refined sugar this year more than she did last year?

Mr. BABST. The first 10 months of 1916 there were exports of refined sugar from the United States, in round figures, of 668,000 tons. In the corresponding 10 months of 1917, there were exports from the United States of refined sugar, in round figures, of 367,000 tons; being 300,000 tons less for 1917 than 1916.

The CHAIRMAN. Exactly. The excess of purchases in Cuba by Europe during the last year did not equal the difference between the refined sugars which were sold the year before and the refined sugars which were sold this year.

Mr. BABST. That is perfectly true. But that statement also leads to as wrong a conclusion as the one before attempted to be drawn. I would like to give you the facts in the whole matter, Senator Reed.

The CHAIRMAN. We will give you a chance to do it.

Mr. BABST. I am perfectly content to go along, except you are not getting at the situation.

The CHAIRMAN. You continue to go back in argument to this legislation in regard to the drawback.

Mr. BABST. Which I say was one of the factors.

The CHAIRMAN. Now, you have stated that that produced a large influx of buyers or of demand for Cuban raws?

Mr. BABST. Of both.

The CHAIRMAN. And that that took of Cuban raws from Cuba approximately 200,000 tons of raw sugar?

Mr. BABST. That is entirely correct.

The CHAIRMAN. Which was in excess over the amount that they took the year previous. But it also appears that, notwithstanding this wicked legislation, which was threatened——

Mr. BABST (interposing). And which did not take place.

The CHAIRMAN. And which did not take place—they came to the sugar refiners and purchased from the sugar refiners of this country only about one-half of the sugar they had the year previous?

Mr. BABST. Oh, not at all.

The CHAIRMAN. Well, 300,000 less than they did the year previous. So that the net loss to this country of Cuban sugars last year over the year previous was not a loss at all, but was a plus. We did not lose sugars to Europe, compared with the year previous, even counting the raws. That is the fact about the matter, is it not?

Mr. BABST. We have made a compilation of the imports into the United States from Cuba for the two years, 1916 and 1917, up to and through December 13, 1917, which shows that for that period there were imported, in 1916, in round figures, 2,125,000 tons; in 1917, in round figures, there were imported 1,900,000 tons, a difference of 225,000 tons less imports from Cuba into the United States in 1917 than in 1916, comparing up to and including December 13 of each year, respectively.

The CHAIRMAN. How much did the shipments of refined sugar to Europe fall off?

Mr. BABST. Now, we have different dates. But the round figures still represent it. It already has been stated that the exports of refined sugar from the United States for the first 10 months of 1916, in round figures, were 668,000 tons, and in 1917, in round figures, 367,000 tons; or a decrease in 1917, in round figures, of 300,000 tons.

The CHAIRMAN. That meant a net gain to the United States in sugar of how much? The imports from Cuba fell off approximately 200,000 tons, and the exports from the United States to Europe fell off approximately 300,000 tons, and that left us 100,000 to the good this year over last year?

Mr. BABST. Making, of course, the necessary readjustments by reason of the difference given in the dates as to the two periods.

The CHAIRMAN. Yes.

Mr. BABST. Do you wish to go on questioning in the same way? Because I would like to help you, if I could, by shortening matters up.

The CHAIRMAN. We will get along without very much assistance

Mr. BABST. You are not getting to a conclusion, Senator Reed.

The CHAIRMAN. We are getting to a fact, and we are going to draw our conclusion.

Senator LODGE. If you will let the committee ask questions and not try to help them, I think we will get along faster.

Mr. BABST. I wish it understood that I am testifying that the threatened drawback repeal is only one of the factors which has resulted in the dislocation of the American market.

The CHAIRMAN. As late as July there was printed in the Munsey Magazine an article which you thought so much of that you have reproduced it in the American Sugar Refining Co.'s publication. Your article contains the statement:

Housewives should pay no attention to the unfounded stories as to the shortage of sugar.

Mr. BABST. It is an exact reprint of an advertisement inserted in the newspapers in February, 1917, and referred entirely to the uneasiness of the public caused by the strikes in the middle of February and early March of 1917.

The CHAIRMAN. Did you pay for this article that went in the Munsey Magazine as a part of your advertising program?

Mr. BABST. Certainly not.

The CHAIRMAN. That was complimentary, but the rest of these ads you paid for?

Mr. BABST. Only the advertisements which appeared here as advertisements, and which were all published in February or March.

The CHAIRMAN. I am going to put the advertisements in and let them speak for themselves to the Senate and to the committee.

Mr. Babst, when did you become a member of the international committee?

Mr. BABST. I was required to take an oath of office and received a commission the date of which I do not recall, but the public announcement of the appointment of the international sugar committee was September 20, 1917.

The CHAIRMAN. What was the business of the American members of that committee; what were their functions?

Mr. BABST. The duties of the committee itself and of the American members were all expressed in the contract which the refiners of the United States severally and voluntarily entered into with Herbert Hoover, as United States Food Administrator, acting in behalf of the President of the United States.

The CHAIRMAN. That is the contract that has been put in evidence, I believe. Have you a copy of it there?

Mr. BABST. I have a printed copy of our own, the same thing.

The CHAIRMAN. You say this contract was entered into voluntarily. The sugar men were all called here to Washington, were they not?

Mr. BABST. They were, on September 5, 1917.

The CHAIRMAN. If the contract was not put in, let it now be considered in. When I say the cane-sugar men were brought here, I mean the cane-sugar growers.

Mr. BABST. Cane-sugar refiners.

The CHAIRMAN. And for something like a month negotiations went on as to the form of this contract?

Mr. BABST. At the meeting of September 5, 1917, Mr. George M. Rolph read to the meeting a form of contract.

The CHAIRMAN. I do not want to go into the details. The final form was not agreed upon for something like 30 days. That is true, is it not?

Mr. BABST. That contract was subsequently sent to the American Sugar Refining Co., and at a later date the refiners were called together and discussed its various provisions with Mr. Rolph, until finally the present form was entered into on October 10.

The CHAIRMAN. You could have said that the negotiations lasted about 30 days, could you not? What did the American members of the international committee have to do with the question of price? Will you call my attention to the paragraph under which they fixed prices?

Mr. BABST. You are referring now merely to the American members?

The CHAIRMAN. Yes. What did the commission have to do with the fixing of prices? I will put it that way, broadly. Can you refer me to the clause in the contract?

Mr. BABST. It reads [reading]:

Paragraph 1. The United States Food Administrator agrees that the said International Sugar Committee shall arrange for the purchase of raw sugar from the West Indies, and such other import sources as are available, for the purpose of supplying a portion of the requirements of the United States, and of the other nations at war with Germany.

The CHAIRMAN. Now, in a word, all of the sugar refiners by this agreement quit buying, and the English Government quit buying, so that the entire market came under the control of the international committee—the world's market of sugar?

Mr. BABST. That is a correct statement.

The CHAIRMAN. Then the second clause provided that [reading]:

All questions of a purely domestic nature coming before the International Sugar Committee in the performance of the duty assigned to it by this contract shall be referred to the American members of said committee for action.

So that the international committee, of which the three Americans were members, by being a part of the committee that fixed the world's prices, were able to have an influence in fixing the prices, and did have an influence?

Mr. BABST. We only had an influence as we were individual members of the International Sugar Committee, of which there are five members.

The CHAIRMAN. I understand. But the International Sugar Committee fixed the price of the world's sugar. That is true, is it not?

Mr. BABST. The International Sugar Committee negotiated for a price in order to arrange for purchases of sugar for the world.

The CHAIRMAN. The International Sugar Committee constituted the only market there was for sugar in the world, and the International Sugar Committee had to be a party, at least, to any agreement as to the prices on one side—the purchasing party?

Mr. BABST. They had to negotiate for a purchase.

The CHAIRMAN. Did they agree on a price for sugars, and, if so, when did they first fix a price?

Mr. BABST. For what sugars?

The CHAIRMAN. Any sugars.

Senator JONES. Mr. Chairman, I would just like to clear up something that may have been misleading in the question. The question, as I understood it, was whether this International Sugar Committee had it in its power to fix the price of sugar for the world.

I think that was in the question. I presume the chairman meant the allies.

The CHAIRMAN. I mean for the allies and for this country. The central powers were out of it.

Senator JONES. What about neutral countries?

Mr. BABST. The power of the International Sugar Committee to arrange for purchases is very specifically set forth, and is confined, in paragraph 1, to the purchase of raw sugar from the West Indies, which naturally includes Cuba, Porto Rico, San Domingo, Haiti, St. Croix, and also from such other import sources as are available, which, for example, would be Peru, Brazil, Java, Fiji, Formosa, and other foreign sugar-producing countries.

Senator LODGE. Do you treat Porto Rico as a foreign country?

Mr. BABST. In order to bring in Porto Rico, by reason of the necessities of allocating tonnage under the direction of our Government, the contract reads, "shall arrange for the purchase of raw sugar from the West Indies," which includes Porto Rico.

Senator LODGE. You do not arrange for Hawaii?

Mr. BABST. All domestic sugars are specially excepted from the contract.

Senator LODGE. You do not call Porto Rican sugar domestic sugar?

Mr. BABST. All other domestic sugars are expressly excepted from the contract, including Hawaii, the Philippines, and Louisiana.

Senator LODGE. I do not make myself clear. I am trying to find out whether you include Porto Rican sugar as a domestic sugar.

Mr. BABST. The distinction made in the contract is along different lines, because it was necessary to include Porto Rico on account of the tonnage, and therefore we did not speak of it as either domestic or imported. In the same way the Philippines were excluded from the contract, although under some decisions which have been made the sugars coming from the Philippines are imports, although it is a part of the United States.

Senator LODGE. Who settles the price of Hawaiian sugars?

Mr. BABST. The Hawaiian sugars are entirely outside of the purview of the International Sugar Committee.

Senator VARDAMAN. Why was that done?

Mr. BABST. Just for the same reasons that other domestic sugars, such as those from the Philippines and Louisiana, were excepted.

Senator LODGE. Then I come back to my original question. You do not call Porto Rican sugars domestic sugars?

Mr. BABST. They do not call them one thing or the other in the contract, but they wished to keep and include the Porto Rican sugars within the power of the International Sugar Committee, because it was necessary to move those sugars by the allocation of tonnage under the direction of our Government.

Senator LODGE. How do you move the Hawaiian sugar?

Mr. BABST. The Hawaiian sugars are, naturally, moved by ships; but by ships on the Pacific Ocean, which are not under the control of the Shipping Board at the present time.

Senator LODGE. I was trying to get at the distinction.

Mr. BABST. It is very difficult for us to get a distinction.

Senator LODGE. Porto Rico is part of the United States, and we have lately made the Porto Ricans citizens of the United States; in

other words, the population of that island are now Americans, and I am trying to see why they were put in the same class with foreign sugars.

Mr. BABST. Only by reason of the tonnage control on the Atlantic Ocean.

Senator Lodge. Their relation is not precisely the same as that of Cuba to this Government.

Mr. BABST. You mean from a sugar standpoint?

Senator LODGE. I mean from an international standpoint.

Mr. BABST. From a political and international standpoint, I understand Porto Rico to be a part of the United States, although separated by water.

Senator LODGE. Like Hawaii?

Mr. BABST. Like Hawaii; exactly. But in the case of Porto Rico it was necessary for the International Sugar Committee to take over the arrangement for its purchases by reason of the tonnage situation.

Senator VARDAMAN. Why was that? I would like to know the reason why you reached that conclusion.

Mr. BABST. We did not reach that conclusion, Senator Vardaman. The Government of the United States reached it.

Senator VARDAMAN. Who did it for the Government of the United States?

Mr. BABST. So far as I know, the transportation division of the Federal Food Administration, in connection with the Shipping Board.

Senator VARDAMAN. Of course, you would not know the reason why they did that.

Mr. BABST. I do not know the reasons of the Government, except as I have stated them.

Senator VARDAMAN. I would like to have the information, if it is obtainable. What advantage or disadvantage to the Porto Ricans was that arrangement, as you have described it?

Mr. BABST. It was considered of great advantage to Porto Rico, because there is great scarcity of tonnage. Unless the Govenment itself should allocate or designate certain tonnage——

Senator LODGE. They can not get the sugar.

Mr. BABST (continuing). To move these sugars, they could not and would not come to this country at all.

Senator LODGE. There was a sufficient product, I think, there—475,000 tons?

Mr. BABST. Yes.

Senator LODGE. I mean there is a sufficient product there to make it important to get it into the United States.

Mr. BABST. It is extremely important for us to have every ton of the Porto Rican sugar.

The CHAIRMAN. Yet it is not included in this contract?

Mr. BABST. It is especially included in the contract for that reason.

Senator LODGE. Do you include also the Danish Islands, so-called—the Virgin Islands?

Mr. BABST. We did. I mentioned St. Croix.

Senator LODGE. It is a small amount?

Mr. BABST. It is a small amount.

Senator LODGE. They come under the International Committee, like Porto Rico?

Mr. BABST. Yes.

The CHAIRMAN. Coming back to my question, as a matter of fact, this International Sugar Committee were in a situation to command practically the sugar prices of the world, outside of the Germanic powers, both because they constituted the principal purchaser and also because, through their governmental connection, they could control the tonnage?

Mr. BABST. That was the primary purpose of the creation of the International Sugar Committee.

The CHAIRMAN. I did not ask the purpose. That is what resulted?

Mr. BABST. That is what it was intended to result in.

The CHAIRMAN. That is what it resulted in?

Mr. BABST. That is what it will result in, and was intended to result in.

The CHAIRMAN. When did the International Committee first undertake in any way to regulate the price of sugar?

Mr. BABST. You are now asking me about a matter on which I have not first-hand information except to say that the first sugar distributed by the International Committee, and for which it arranged a purchase, was on September 27, 1917, the day following the receipt of the letter of September 26, 1917.

The CHAIRMAN. Where was that communication from?

Mr. BABST. A purchase of 5,000 bags, of 714 tons, to the Warner Sugar Refining Co., of New York, at a cost of $6.90.

The CHAIRMAN. Where?

Mr. BABST. At New York.

The CHAIRMAN. Was that Cuban sugar?

Mr. BABST. That was Cuban sugar.

The CHAIRMAN. On fixing the price, who agreed to the price that was to be paid for this sugar?

Mr. BABST. The seller.

The CHAIRMAN. Well, he agreed on one side. Who agreed as to the price that was to be paid?

Mr. BABST. Mr. Rolph, Mr. Jamison, and myself agreed that we should arrange for the purchase at that price——

The CHAIRMAN. Yes.

Mr. BABST (continuing). The total amount which was placed under that arrangement being approximately 80,000 bags, and which was subsequently——

The CHAIRMAN. I did not ask you what subsequently happened to that sugar. I do not want to trace it down to the old lady who made preserves with it.

Mr. BABST. Oh, all right.

The CHAIRMAN. Have you three gentlemen fixed the subsequent prices to be paid?

Mr. BABST. We have arranged the purchases on the same basis of 6.90, duty paid, and have declined all offers at any higher price.

The CHAIRMAN. I did not ask you if you had fixed the prices which have been paid on subsequent purchases. I want an answer, yes or no.

Mr. BABST. We never have fixed a price.

The CHAIRMAN. You have just stated that you fixed these other prices.

Mr. BABST. We have arranged for purchases.

The CHAIRMAN. All right; you arranged for the purchases; and when you arranged for the purchases you stated how much you would pay, did you not?

Mr. BABST. No; we stated what price we would accept.

The CHAIRMAN. Accept? You make a distinction, under oath, between that and the question I have just asked?

Mr. BABST. I do, because under the food act and under the contract which you have been inquiring into, and especially under the paragraph to which you have directed my attention, the power of the committee is merely to arrange for the purchase of raw sugar.

The CHAIRMAN. Very well; and all that a man does who goes out and purchases a horse on the market is to arrange to buy him and to pay for him; to talk over the price?

Mr. BABST. Not at all; in that case he buys him. We had no power to buy, but we had power to arrange for a purchase.

The CHAIRMAN. They made the purchase in this case. It went to the Warner Co., did it not? We need not get into any details about it, or consume any time. As I understand the situation, nobody was permitted to arrange for purchases except the International Committee?

Mr. BABST. They did not, because——

The CHAIRMAN. And the International Committee would proceed to arrange for purchases, and having arranged for them, they would order that sugar sent to one particular refiner or to another? They would allot the sugar to the different people? That is the method, is it not?

Mr. BABST. That is the method under the contract, but as a matter of fact the method so far pursued has been to ask the suggestions of the American refiners' committee, which is entirely a different committee, composed of James H. Post, Claus A. Spreckels, C. M. Warner, George H. Earle, jr., and Robert M. Parker; and that committee does the distributing to the various refiners.

The CHAIRMAN. The distributing; but I am talking about the price fixing, not the distributing; the price fixing. Now, you can call it price arrangement or price fixing, or by any name you want to, but I want to know who has fixed the prices that were paid in the American market for these sugars that came through your committee since the date of that first arrangement that you speak of? Has not your committee done it all the time?

Mr. BABST. It has not. We have no power to fix a price. We have no power to buy. We have the power to arrange for purchases, and in arranging for those purchases we have declined all offers which were higher than $6.90, duty paid, the price which prevailed in New York the day we went into office.

The CHAIRMAN. Who agreed that you should? You all agreed that you would not go above $6.90, did you?

Mr. BABST. That letter of September 26——

The CHAIRMAN. We are spending a lot of time about this.

Mr. BABST. It is a very important point you have touched upon.

The CHAIRMAN. It must be a very important one. It is so important that I can not see the difference between a lot of men who control the sugar market of the world, who are the only purchasers to all intents and purposes, and they say, "We will only give $6.90 for sugar, and everybody that sells has got to sell through us," and

you say that is not fixing the price. I say it is. But we will not quarrel about that.

Mr. BABST. Very well.

The CHAIRMAN. We understand each other, and what you mean to say is that this committee in all cases since its organization and since it got into operation, there about September 26 or 27, has pursued the course of saying what is the top price they will accept sugar at?

Mr. BABST. The distinction is very necessary by reason of the language of the food-control act and by reason of the language of the contract which operates under that act.

The CHAIRMAN. I am not asking about that distinction; I am asking you about the fact. Is it a fact that all of this sugar that has been received from abroad has been received under the arrangement that I have indicated?

Mr. BABST. Will the reporter go back and read my previous answer, so that I may be certain about it?

The CHAIRMAN. I do not care to go back, but I will just ask you over again. Is it not a fact that since the committee organized and got its first consignment, which was some time in September, it has pursued the course you have indicated, namely, it has stipulated a price beyond which it would not buy sugar?

Mr. BABST. I can not answer the question in the form in which it is stated, because we have no power to buy sugar; we have no power to fix prices.

The CHAIRMAN. How do you get the sugar? It has come in here.

Mr. BABST. We arrange for these purchases and turn the contract over to the individual refiner, who enters upon the contract.

The CHAIRMAN. You have refused to arrange for purchases above the price indicated?

Mr. BABST. We have.

The CHAIRMAN. And, being practically the sole world's market, that fixed the price for the time being, did it not?

Mr. BABST. That was the intention and purpose; yes; not to fix the price in the sense that we had power to fix a price.

The CHAIRMAN. It fixed the value of all the American crop of sugar. It became the basic price for all of the American sugars, did it not, whether raised in continental America or outside?

Senator KENYON. If you did not arrange the purchase the seller could not get anything for his sugar?

Mr. BABST. No, sir.

Senator KENYON. Then you fixed the price, did you not?

Mr. BABST. No.

The CHAIRMAN. There is a distinction, there, too fine for you and me, Senator. It is not very material.

While you did not fix the price, what you did resulted in the price being fixed?

Mr. BABST. By the refiner who took the sugar.

The CHAIRMAN. Yes; I remember hearing a man make a defense in a murder case that the bullet had not actually killed the man, but it was the hole in his heart and the lack of blood.

Mr. BABST. That murder started, of course, in the Food-Control bill, in the language there employed.

The CHAIRMAN. It was drawn by the same gentlemen who are now running the business.

Senator KENYON. This fixed the price; it resulted in fixing the price. There is no question about that, is there?

Mr. BABST. It resulted in a price at which purchases would be arranged. [Laughter.] Well, I will not say any more. There is one answer, Mr. Chairman, which I made that I would like to have the stenographer read.

(The stenographer thereupon read the foregoing testimony of the witness, ending with the following question:)

The CHAIRMAN. It fixed the value of all the American crop of sugar? It became the basic price for all of the American sugars, did it not, whether raised in continental America or outside?

Mr. BABST. It would affect the price of American continental sugars as well as other sugars coming to the American market.

The CHAIRMAN. It not only would affect, but it would in fact become the basic price, would it not?

Mr. BABST. I do not like to answer that question in that form, because the term "basic price" is used in the contract, in paragraph 7, for which there has been already a legal interpretation by the Food Administration; but the prices at which purchases were arranged by the International Sugar Committee certainly would, and are expected to, affect and to stabilize the purchases of all other sugars coming to America.

The CHAIRMAN. And to fix the prices of other sugars, the price of course varying as the quality of the sugar may vary from the quality of the sugar the price of which has been arranged for?

Mr. BABST. I do not think I can answer the question better than I already have.

The CHAIRMAN. Let me see if I can not read your answer out of your book. I read from page 71, as follows:

Inasmuch as the price of Cuban sugar on the New York market really controls the entire domestic production——

Mr. BABST. Is that anything I ever said?

The CHAIRMAN. It is in your book. It is of the Food Administration.

Mr. BABST. Well, but it is nothing I ever said.

The CHAIRMAN. I do not suppose you are going to challenge anything—it is not possible?

Mr. BABST. Except that in your question you say you are quoting my book, as if you were quoting my language.

The CHAIRMAN. No; I say it is in your book.

Mr. BABST. The report does contain the statement.

The CHAIRMAN. Is that statement correct?

Mr. BABST. What is the statement?

The CHAIRMAN. It is as follows:

Inasmuch as the price of Cuban sugar on the New York market really controls the entire domestic production——

Is that statement correct?

Mr. BABST. Substantially; yes.

The CHAIRMAN. Then the sentence continues:

it was not the intention of the administration to attempt in any way to regulate domestic producers.

Do you agree to the whole statement I have read to you, now?

Mr. BABST. Of course, I know nothing about their intentions whatever, because that relates to the beet sugar, which was a negotiation that occurred in August, the announcement of which was made on August 27, to the effect that the beet sugar price had been through voluntary agreement of the beet producers with the Federal Food Administration, fixed at 7.25, seaboard refining point.

The CHAIRMAN. I will ask the stenographer to read my question.

(The stenographer read the question, as follows:)

The CHAIRMAN (reading): "Inasmuch as the price of Cuban sugar on the New York market really controls the entire domestic production, it was not the intention of the administration to attempt in any way to regulate domestic producers." Do you agree to the whole statement I have read to you, now?

Mr. BABST. The whole statement referred to the fixing of prices.

The CHAIRMAN. Now, I am going to read this statement to you again and see if I can get an answer from you:

Inasmuch as the price of Cuban sugar on the New York market really controls the entire domestic production, it was not the intention of the administration to attempt in any way to regulate domestic producers.

Do you agree to the proposition that the price of Cuban sugar on the New York market really controls the entire domestic production?

Senator JONES. Price, you mean?

Mr. BABST. It does, as to domestic production, which follows in time the price of Cuban sugar in New York.

The CHAIRMAN. Is there any doubt about the fact that if the price of Cuban sugar is raised in New York the price of beet sugar experiences a corresponding rise?

Mr. BABST. It will on beet sugar sold after the date of the price in New York.

The CHAIRMAN. Of course, it would not on any that was sold before. Anybody knows that. Even this committee knows that.

Mr. BABST. But this committee has impugned my motives as a member of the committee——

The CHAIRMAN. No; it has not impugned your motives at all.

Mr. BABST. As a witness, in answering questions.

The CHAIRMAN. We have just asked you to answer questions.

Mr. BABST. They have impugned my motives in fixing the price of beet sugar in this country by showing that the American Sugar Refining Co. would benefit from my action as a member of the International Committee.

The CHAIRMAN. The committee has not impugned your motives.

Mr. BABST. But my motives have been impugned in this room in answering questions. May I present now my statement?

Senator VARDAMAN. You should not say that the committee has impugned them.

The CHAIRMAN. The committee has developed the fact from you that the price of beet sugar is affected by the price of cane sugar and has developed the fact that you helped to fix the price of cane sugar by exercising this great power, so that the only way the sugar gets in is at the prices you fixed. And it has also developed the fact that the companies you represent are interested in the beet sugar business and that a raise in price which you may produce will produce a rise in the price of beet sugar. That is all the committee

has done, and if anybody has impugned your motives, it is in the facts developed and not any language of the committee.

Mr. BABST. Therefore, I demand to make a statement now on the record of what I have done.

The CHAIRMAN. Well, we are going to get at what you have done.

Mr. BABST. I am entitled to make a statement, Mr. Chairman.

The CHAIRMAN. You are entitled to make a statement that the committee permits you to make.

Mr. BABST. I appeal from the chairman. My integrity and honor have been impugned by the statement just made by the chairman. When I——

The CHAIRMAN. Just wait a minute. The committee will conduct this examination.

Mr. BABST. You can not conduct it away from this point until you have cleared it up.

The CHAIRMAN. The committee will conduct its examination in its own way.

Mr. BABST. Senator Lodge, it is certainly evident to you men that when the beet price about which you are all talking was made or announced on the 27th of August, as I have testified, I was on my vacation, and, furthermore, I did not become a member of the International Sugar Committee——

Senator LODGE. That will not do, Mr. Chairman. I object.

Mr. BABST (continuing). Until September 20, 1917.

The CHAIRMAN. Now, what the witness has just stated will be stricken out of the record, because the witness has interjected. The witness will be given an opportunity to answer any proper question, but the witness is not going to conduct this examination, now, and he might just as well make up his mind to that. He is going to be treated fairly, but he is not going to be allowed to conduct the examination.

Mr. BABST. Senator Reed, I do not think you are treating me fairly at this time.

The CHAIRMAN. We are trying to do so.

Mr. BABST. Because you are leaving an imputation at this time on my integrity and honor.

Senator VARDAMAN. Mr. Babst, every opportunity is going to be given you to make a full and complete statement.

Mr. BABST. I thank you.

Senator VARDAMAN. In exoneration of any statement made against you, but you can not say to the committee how your examination shall be conducted, and your statement made here a moment ago is not in order.

Mr. BABST. I appreciate that, Senator Vardaman, but it is very necessary——

Senator VARDAMAN. Now, I would be the last man in this house to permit an injustice to be done to you.

Mr. BABST. But it has been done.

Senator VARDAMAN. The facts have done it. The members of the committee have not done it; it is the facts that have been brought out. If there has been any imputation upon your character or reputation, it is from the facts, and it is no imputation by the committee upon anyone. I know I have not made any, and I have not heard any by any other member.

Mr. BABST. It is only the arrangement of the facts that has caused the imputation.

Senator VARDAMAN. Yes.

Mr. BABST. Namely, putting the fixing of the beet price as subsequent to my appointment on the International Committee, when, as a matter of fact, it preceded my appointment by a full month, when, as a matter of fact, I was in northern Michigan and knew nothing but what I read in the newspapers.

The CHAIRMAN. The witness has now made his statement that has been ruled out. Now, we will let it stay in.

When did you fix the price on Cuban sugars for next year—for the crop that is now beginning to be harvested?

Mr. BABST. We have negotiated, as members of the International Sugar Committee, under the direction of the Department of State and in association with it, with a commission appointed by President Menocal, of Cuba, consisting of five members, headed by the minister——

The CHAIRMAN. Just wait a minute.

Mr. BABST. Those negotiations——

The CHAIRMAN. I asked you when you fixed the price. If you did not fix the price, then you can say so. We are getting on the question you just raised. I am stopping the witness, and it is not because I want to stop the witness. There is a reason for this.

Mr. BABST. I appreciate those conditions, and I am going to try to guard it, because——

The CHAIRMAN. I will ask you the question in this way: Has the International Committee, of which you are a member, agreed among itself as to the price—among its own members as to the price—for Cuban sugar, for the next year's crop, the crop that is now maturing? Has it agreed among itself or among its own members?

Mr. BABST. Now, I believe I can answer that question in a manner in which I feel it is very necessary that it should be answered.

The CHAIRMAN. Can you not answer whether you have agreed among yourselves?

Mr. BABST. I would like to submit the case to the committee and have them decide whether it should go in the record.

The CHAIRMAN. Can you not answer whether you five gentlemen have at some time, in some way, agreed among yourselves upon a certain price?

Mr. BABST. I can not answer that question without betraying the diplomatic instructions and relationships of which I was a part. I can put it upon paper, I believe, in such a manner that it will be a satisfactory answer and relieve the committee, and also greatly relieve the witness from the imputation especially which has been put upon his honor. I will meet the committee in executive session and go into the matter fully if they desire.

The CHAIRMAN. It seems to me that the question I have asked, whether the five members of the International Committee have agreed upon a price above which they will not go for Cuban sugars, for the crop that is now maturing, can be answered yes or no; whether you have agreed upon a price.

Senator JONES. Mr. Chairman, let me ask the witness a preliminary question. Are negotiations regarding that price in progress now and not concluded?

Mr. BABST. They are concluded as to price. They are in progress as to all other matters. They are at a standstill, and have been since last Friday, or since we were called to Washington, or since this investigation started.

Senator JONES. And do you think it would interfere with these negotiations or the completion of this contract to make the answer here?

Mr. BABST. I do not. I know it would not. I renew my offer to put an answer in writing and submit it to the committee and let them decide whether or not it should go in the record.

The CHAIRMAN. Can you not, without interfering with anybody else's right, tell us whether you five gentlemen constituting this committee have yourselves agreed upon a price beyond which you will not go for Cuban sugar?

Mr. BABST. I can state it in a certain form and in certain words in which I believe it should be stated, without any breach of diplomatic instructions.

The CHAIRMAN. We are not asking you what you agreed with anybody else. Did you come to an agreement among yourselves as to a price beyond which you would not go for Cuban sugar?

Mr. BABST. Of course, if the chairman persists in the question I will have to answer the question and let the committee take the responsibility of the answer.

The CHAIRMAN. That question can be answered yes or no.

Mr. BABST. You can not answer by the old legal saw, yes or no.

Senator JONES. I will ask you to state whether or not the arrangement regarding the price was a mutual one between the International Committee and the Cuban Commission, or whether the American members of the committee or the International Committee itself as a whole, undertook to arbitrarily state what would be paid and what would not be paid?

Mr. BABST. Is the committee willing to take the responsibility of the answer?

The CHAIRMAN. We can not tell anything about it until we hear it.

Senator JONES. I suggest, Mr. Chairman, that it be submitted in writing, as the witness has stated, and let the committee pass upon it. It involves a very important question.

Senator VARDAMAN. I suggest that we retire to another room with the witness, and let him state the answer. I make that suggestion.

The CHAIRMAN. I am agreeable to anything that the committee wants to do. The question I have asked can be answered without impinging upon any Government, whether these gentlemen got together themselves and agreed upon a price beyond which they would not go.

Senator VARDAMAN. I think that is true, he could have answered yes or no; but if the witness feels that he wants to be understood, if there is something he wants to say in explanation of what should be done, I think we had better hear it.

Mr. LINDLEY. Mr. Chairman, may I make one suggestion before you retire? The difficulty comes in the assumption of the question, it seems to me, in assuming an arbitrary stand on the part of the International Committee which involved the transactions of others who owned the sugar; and there has been the trouble between the witness and the chairman. That is my impression, and I make this explanation simply because I am a little bit afraid that between the gentle-

man who undertakes to ask the question and the gentleman who undertakes to answer it there is a difference of mental attitude that prevents the answering of the question.

The CHAIRMAN. There is no difference on my part. I know what I am talking about, and I know why I want to get a direct answer.

(At this point the subcommittee went into executive session, the witness accompanying them, and at 5.40 o'clock p. m. the subcommittee again resumed its public session.)

The CHAIRMAN. The committee directs me to say that, in the opinion of the committee, for the present the answer given by the witness in confidence in executive session should not go into the record. The committee reserves the question, however, for further consideration and investigation, and the hearing will stand adjourned until to-morrow morning at 10.30 o'clock.

(Whereupon at 5.45 o'clock p. m. the subcommittee adjourned to meet at 10.30 o'clock a. m. to-morrow, Wednesday, December 19, 1917.)

SHORTAGE OF SUGAR.

WEDNESDAY, DECEMBER 19, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met in executive session, pursuant to adjournment, at 10.30 o'clock a. m., in the room of the Committee on Indian Affairs, Capitol, Senator James A. Reed presiding.

Present: Senators Reed, Vardaman, Jones of New Mexico, Lodge, and Kenyon.

(The subcommittee remained in executive session until 12.10 o'clock, when it resumed its public session.)

The CHAIRMAN. At this time the committee will place in the record a letter written by Senator Broussard, containing his analysis of the situation, his opinions, etc.—a very interesting letter. The letter has been read by the committee in a private conference, so I will not take time to read it now, but the press may have it for examination if they desire, and anyone interested may read it.

(The letter referred to by the chairman is here printed in full, as follows:)

EXHIBIT No. 45.

UNITED STATES SENATE,
COMMITTEE ON NATIONAL BANKS,
Washington, December 14, 1917.

Hon. JAMES A. REED, *Chairman,*
Committee on Manufactures,
United States Senate.

MY DEAR SENATOR: Inasmuch as my health will not permit me to remain in Washington at this time to assist in the investigation of the existing shortage of sugar and coal, I have thought I would explain briefly, by means of this letter, the reason and the remedy for the sugar famine in the United States, as I see it.

Both the Federal Treasury and our stock of sugar are being systematically depleted by a handful of not over scrupulous profiteers, who are parading as patriots and ostensibly engaged in the laudable task of aiding our allies. As a matter of fact they are serving their own selfish ends.

The legislation that I have been seeking to have enacted for the past year would put a stop, at least for the period of the war, to their enormous bonuses, aggregating $20,000,000 annually, paid to them out of an impoverished Federal Treasury, as well as to their practice of selling every possible pound of sugar to alien purchasers rather than to our own people.

The explanation for these foreign sales is very simple. We have only to recall that the existing law gives these men 1 cent for every pound of imported sugar they refine and export from the United States, but allows them nothing in the nature of a drawback for their domestic sales. With this incentive, is it any wonder that they are draining the country of its normal supply of sugar?

This is the cause of the sugar famine.

As long as the seaboard sugar refiners are allowed to suck at the drawback teat, not only will there be little or no sugar for our own people, but the Federal Treasury will be drained of millions of dollars, to replace which new taxes must be imposed.

A manufacturer who pays duty to import an article which he manufactures into a finished article, or uses in part in making a finished article, upon exporting such finished article, recovers out of the United States Treasury the duty he has paid, less 1 cent, which the Government retains for administering the law. This refund by the Treasury is called the drawback. Its purpose is to help the American manufacturer compete on the foreign market with foreign manufacturers of like articles.

But where foreign competition has ceased to exist, and the business has become an American monopoly, the folly of continuing to pay the drawback need be but stated to be understood. This statement especially applies to the American Sugar Refining Co. industry at the present time. The only serious foreign rivals of that industry are located in Germany and Austria, and since the outbreak of the war the American refiners have not been subjected to their competition. As a result the foreign business of these American refiners has expanded to enormous proportions.

It is estimated that the foreign sugar refining business for 1917, as compared with 1913, the year before the outbreak of the war, will show an increase of 2,900 per cent. Has any other industry which is not directly engaged in supplying munitions for the armies in Europe shown anything like this increase?

In the closing days of the last session I explained to the Senate in the preceding 18 months the United States Treasury had paid out to all American manufacturers engaged on the export trade $24,000,000 in drawbacks. Of this sum 83 per cent, or $20,000,000 was paid to a handful of sugar refiners and $4,000,000 to all the other manufacturers in the United States engaged in every line of industry and producing the thousand and one articles that enter into our enormous export trade, ranging from automobiles to wool yarns.

These figures tell their own story.

When Congress puts an end to the payment of these drawbacks to the sugar refiners the American public will again receive an ample supply of sugar.

No better or more impartial evidence can be had of the manner in which the drawback serves to drain this country of its sugar than is supplied by the press of Great Britain. In a recent discussion of the sugar commission's report the Investor's Review (London, Sept. 19, 1917, p. 324) says:

"What comes out clearly is that the commission, even during the period of the greatest restriction, never distributed less than 24,000 tons per week (exclusive of supplies to the allies), while on a basis of three-fourths pound consumption per head of the population, the requirements would not exceed 14,000 tons per week, thus leaving an average surplus of 10,000 tons for the supply of the naval and military forces and for manufacturing purposes. * * * It is impossible to conceive that the Army and Navy can consume more than 2,000 or 3,000 tons per week, and therefore there have been at least 7,000 tons available for manufacturing in the shape of jams, confectionery, etc. That is more than an ample supply under normal conditions, but there must have been an enormous leakage somewhere to prevent the ordinary consumer from receiving the three-fourths pound, to which apparently the sugar commission considered him or her to be entitled."

Our own official figures as shown by the statistics of the Department of Commerce are less interesting. They reveal the fact that thousands of tons of sugar, so sorely needed at this time, were shipped not only to our allies, but to Spain, the Scandanavian countries, and other neutrals, while our own people were doled out the most niggardly supplies.

It must be remembered that not one pound of this bounty-fed sugar was grown under the American flag, for the drawback is only paid upon foreign supplies brought into our ports, refined, and reshipped abroad. That is why the refiners persist in paying American farmers less for the same grades than they pay to the foreign growers.

The normal consumption of sugar in this country is now estimated at about 4,250,000 tons. The cane and beet crops grown in the United States this year will supply about 1,000,000 tons, or less than one-fourth of this amount. Something more than a million and a quarter tons will be produced in the outlying insular possessions, but as that sugar does not enjoy the drawback privilege it will hold no attraction for the refiners for export to Europe. Therein, however, lies the danger for a continuation of the sugar famine.

Not only are the American insular sugars less attractive to the refiners than foreign-grown sugars, but they are far removed from our shores and the process of bringing them here must be one of long delay. On the other hand, there is now approaching maturity in Cuba a crop of 3,200,000 tons that are only a few hours' sail from our shores. This sugar enjoys all the privileges of the drawback, but this goes to the American refiner and not the Cuban grower.

Is it not fair to assume, in view of the figures I have quoted, that as soon as the refiner works up this Cuban sugar, which will arrive more rapidly than American insular sugar, he will rush it to foreign buyers so as to realize the 1 cent a pound from the Federal Treasury, and permit the American famine to be relieved later by the more slowly arriving sugars from our island possessions?

The repeal of the drawback on sugar would stop this. When I proposed such a course at the last session of Congress the refining interests raised the hypocritical cry that it would be a blow to our allies. To meet this cry I introduced a further amendment which provided that the Governments of the allies of the United States in the war with the German Empire, or any of them, shall have the right, under such rules, regulations, or bonds, as the Secretary of the Treasury may from time to time provide, import into the United States, free of taxes, such raw sugar as the said Governments may own, to be refined and exported to the territory of such Governments. This separates bona fide Government supplies from the stocks of the profiteers.

I respectfully submit to the committee that the adoption of such an amendment now should meet any legitimate objection that may again be raised in foreign quarters to the repeal of the sugar drawback.

Since this matter was before the Senate for consideration last fall, official action has been taken by the United States food administration which should silence peremptorily any further protest from the refining interests against the removal of the drawback during the period of the war.

At divers times during the past few years, when the sugar schedule of the tariff law was before Congress for revision, the cost of converting raw sugar into the finished product has been stated to be from 50 to 65 cents per hundred pounds. This is known as the refiners' margin. A few weeks ago these same interests were summoned to Washington by the national food administration, which was seeking to ascertain the increased cost of their operations by reason of the war. They put in a claim of more than 100 per cent increase, and this was promptly allowed them. The food administration permits them to add a margin of $1.30 over and above the cost of raw material.

It will therefore be seen that they can now conduct their business absolutely on their own terms and without risk. Why, then, should they be allowed in addition to drain out of the United States Treasury $20,000,000 when every other industry in the United States is being harassed with additional taxes to replace the void created by these drawback payments to these refiners?

There is another matter which should receive the attention of the committee. It is the persistent system of misrepresentation that has been pursued by certain of these refining interests in the public prints.

They have been printing a series of misstatements regarding the sugar situation, but one of their favorite slogans has been to advise the public to refuse the payment of any increase in price to the retailers.

In this connection let me suggest an investigation of some of the recent transactions in the sirup market. The refiners for years have been making a kind of sirup out of their by-products, for which, through extensive advertising, they have been able to command higher prices than the purer and better article made on the plantations. When the shortage in sugar became acute several months ago the demand for sirups correspondingly increased. It would be expected, in view of their costly nation-wide advertisement of self-righteousness and their appeal to the consuming public not to allow the small retailers to make a few additional pennies that they would follow their own preachment. But the price of refiner's sirups was suddenly jumped to double previous quotations, and much sugar that might have been used, to allay the nation-wide distress that has prevailed during the past few months, is reported to have been converted into sirup and sold abroad at an enormous advance. Competing sirup manufacturers are reported to have been denied the supplies of sugar that would have enabled them to participate in this trade, and I suggest that the recent allotment of sugar stocks be investigated by the committee. Certain of the refiners are reported to have been favored in those allotments and to have been doing remarkably well in the sirup industry which is not under regulation,

since the sugar end of the same establishments have been under the control of the food administration.

Another practice of the refiners that should have the consideration of the committee has been that of forcing the sale of high-priced fancy grades of sugar, such as tablets put up in packages, instead of furnishing granulated sugars in bulk. By pursuing this course at a time when the food administration has been calling upon everyone to economize in every possible way, even down to the curtailment of the delivery of household supplies, the refiners have been enabled to wring an enormous amount of money from the public. The price of this class of goods averages 3 cents a pound above the cost of granulated sugars in bulk. This is a species of petty tribute exacted from the American housewife that should instantly be stopped.

If your committee will permit, let me suggest that inquiry be made as to how much sugar has been exported, first to the allies and next to the neutral nations of Europe. This information could easily be ascertained through the customhouses of Boston, New York, Philadelphia, Baltimore, and New Orleans; next, that inquiry be made as to how much of this sugar, exported from these ports to foreign countries, has been destroyed in port and at sea, because it is understood that once this sugar is cleared for exportation, the drawback of 1 cent per pound is due and collectible and is collected from the Treasury Department.

I think your committee will find that in the effort to secure these bonuses the refining interests of the Atlantic seaboard have taken frequent chances on shipments reaching destination, once the shipments were safeguarded by insurance, and have utterly disregarded the needs of the American public for the sugar which they were exporting. I have already suggested an investigation with regard to the conversion of sugar into sirup, following the advanced price of this last named article on foreign markets.

On the whole, it would seem strange that there is no scarcity of sugar in the United States in those communities where the domestic industry has prospered or been able to protect itself from the destruction aimed at it by these refining interests, whereas at the points where these refineries are located and where the enormous bulk of all sugars pass on its way to market there is at this time to be found the greatest scarcity of this necessity of life.

Economically speaking this is a condition that normally could not exist, and any law which permits it to exist should require congressional investigation and repeal.

Yours, truly,

R. F. BROUSSARD.

TESTIMONY OF MR. EARL D. BABST, PRESIDENT OF THE AMERICAN SUGAR REFINING CO., NEW YORK CITY—Resumed.

The CHAIRMAN. On the question of whether prices were fixed. I shall put into the record the following statement by the Food Administration, which was given out and was afterward published in the Weekly Statistical Journal of December 1, 1917. The statement is as follows:

EXHIBIT No. 46.

UNITED STATES FOOD ADMINISTRATION.

For release for morning papers of December 2, 1917.

No. 502.

DECEMBER 1, 1917.

George M. Rolph, chairman of the International Sugar Committee, to-day gave out the following information, with the idea that in view of the satisfactory price arrangements just entered into with the Cuban Commission, the public will be interested to know something more definite about the present situation in regard to sugars:

The international committee to-day purchased 20,000 bags of Cuban old-crop sugars at a price equal to 6.70 delivered in New York, duty paid. Mr. Rolph stated that no further sugars would be purchased on a basis higher than that

agreed with the Cuban Commission to-day, namely, 4.90 cost and freight, equal to about 5.90 duty paid. The price paid for the last of the old-crop Cubans was on the same basis as the prices now being paid for Louisiana sugars, northern deliveries.

The first Porto Rico sugars will arrive about December 10 and will take the new Cuban crop price, i. e., about 5.90. The first Louisiana sugars arrived in Boston to-day at a cost price of 6.70 Boston; the refined made from these raws will be on the Boston market on Monday, December 3, and the refiner's list price for it will be reduced to an 8.15 basis Boston.

On arrival in New York of the Cuban sugars purchased to-day (which will be about December 10) the International Sugar Committee's basis price will be reduced, which will of necessity bring about a reduction in the refiner's list price to 8.15 New York.

It is to be hoped that the comparatively small amount of old-crop sugars which have been purchased by the International Sugar Committee and not yet arrived will have been received and disposed of by December 20. On or about this date, or shortly thereafter, the basic price of the International Sugar Committee will again be dropped in order that the refiner's list of prices may reflect the price agreed to be paid for new-crop Cuban and Porto Rico sugars. These list prices will range from 7.25 to 7.45, dependent on the freight rate established by the United States Shipping Board for raws from Cuba and Porto Rico to the United States.

It is needless to say that the various prices that have prevailed in different sections of the country since the 1st of October have caused more or less disturbance or uncertainty in trade circles, and it is hoped that the whole country will be on the same basis before the end of December.

Mr. BABST. With reference to the new crop, I desire to read into the record from the Weekly Statistical Sugar Trade Journal the following announcement [reading]:

CUBA PRICE AGREEMENT REACHED—INTERNATIONAL SUGAR COMMITTEE ANNOUNCEMENT.

At a meeting of the Cuban Commission appointed by President Menocal, of Cuba, and headed by Señor Carlos Manuel de Cespedes, with the International Sugar Committee, held November 30 at the office of the committee at 111 Wall Street, an agreement in regard to the purchase and sale basis price of Cuban sugars for the coming crop was arrived at, the figure being 4.90 cents, cost and freight New York, based on a 30-cent freight rate, which reflects an equivalent of about 4.60 cents f. o. b. Cuba. The actual price of the sugar at New York can only be determined after the United States Shipping Board has fixed the rate of freight, which point it is hoped will be settled within a few days.

The CHAIRMAN. This Weekly Statistical Trade Journal is one of the standard journals, is it not?

Mr. BABST. It is.

The CHAIRMAN. And it is published by Willett & Gray?

Mr. BABST. Yes. There is more of that announcement.

The CHAIRMAN. You were present when that agreement was arrived at, which I have just read?

Mr. BABST. I was.

The CHAIRMAN. When was it that the price was fixed on beet sugars?

Mr. BABST. The announcement that a price had been fixed of $7.25 for beet sugar was made on August 27. When it was actually arrived at I do not know.

The CHAIRMAN. Have you that announcement?

Mr. BABST. I do not seem to have it here.

The CHAIRMAN. Look for August 25 and also August 26.

Mr. BABST. The announcement I refer to was something we saw in the daily press. The exact announcement I have not got. I can, of course, obtain it.

The CHAIRMAN. What are the papers you are looking at?

Mr. BABST. I am looking at another bulletin with which I am more familiar.

The CHAIRMAN. As a matter of fact, the beet sugar men were summoned here to Washington, were they not, along some time prior to the 25th of August, when the announcement was made that they had entered into a voluntary pledge?

Mr. BABST. So I understand from the public press.

The CHAIRMAN. Were you connected at that time with the Food Administration at all?

Mr. BABST. I was not, in any way, shape, or form.

The CHAIRMAN. You had nothing to do with the fixing of the beet-sugar price?

Mr. BABST. I had not.

The CHAIRMAN. I will ask you one question with reference to it, and that is whether $7.25, the price agreed upon for beet sugar, which was arrived at away back in August, is not the substantial equivalent of $4.60 for Cuba sugar, f. o. b. cars in Cuba, with the usual 25 cents a hundred difference that is allowed between cane sugars and beet sugars?

Mr. BABST. It is the substantial equivalent of $4.60 f. o. b. Cuba, for Cuban sugars.

The CHAIRMAN. Have you had anything to do with reference to any negotiations touching the prices of beet sugars?

Mr. BABST. I have not, directly or indirectly. I have no knowledge of it except what is common to everyone.

The CHAIRMAN. Are you familiar with the fact that the Food Administrator closed the New York Sugar & Coffee Exchange about August 16?

Mr. BABST. From reading it in your New York papers I am, yes. That is the date I have—August 16.

The CHAIRMAN. What was the effect of that on the sugar market—what resulted from that?

Mr. BABST. Since that date, as shown by the chart which I have before me, prices of raw sugar in New York have steadily declined, and they had been steadily rising prior to that time. That is a statement of fact.

The CHAIRMAN. Do you mean of raw sugars?

Mr. BABST. The price of spot raw sugars, duty paid in New York. This chart which I have here illustrates that fact.

The CHAIRMAN. At the same time raw sugars quit coming, practically, did they not?

Mr. BABST. The closing of the exchange at New York had nothing to do whatever with the amount of the actual sugars.

The CHAIRMAN. You say that the stopping of the sale of sugars for delivery had nothing to do with the sugars actually reaching this country?

Mr. BABST. Yes; because the New York Sugar Exchange is not generally used by the refiners in making their purchases. For example, our own company never has purchased a single pound through that exchange.

The CHAIRMAN. What then was the object of closing it, if your company never buys through it and other big companies never buy through it and it did not amount to anything?

Mr. BABST. The Food Administration can answer that for themselves. I assume from the fact they did close it that it was because it was dealing in options and futures, and to that extent was stimulating the speculative market.

Senator VARDAMAN. You had nothing to do with the closing?

Mr. BABST. I had not. I was on my vacation all the time.

The CHAIRMAN. I want to ask you when you first learned that the Louisiana planters—before I go into that: You were a party to the fixing of the price, or the amount, that would be paid for sugars, what ever arrangement was made with the Cuban people?

Mr. BABST. Do you refer to the contract which is now under negotiation?

The CHAIRMAN. Yes; so far as your company was concerned.

Mr. BABST. So far as the price is concerned, it is determined upon, although the other commercial terms which relate to it are now under process of negatiation, with another committee appointed by the Cuban Government for that purpose.

The CHAIRMAN. The prices which were fixed heretofore, covering the first crop, you were a party to the negotiations making those prices? I know you object to the term "price fixing."

Mr. BABST. There are special reasons which make me do so, because of rulings made by the legal department of the Food Administration.

The CHAIRMAN. You were a party to regulating the market for granulated sugar that came here—fixing the price on granulated sugar that comes here?

Mr. BABST. No, sir.

(The question was read by the stenographer.)

Senator LODGE. The prices that were to be charged to the public?

Mr. BABST. Do you refer to the entering upon the contract between the various refiners and the Food Administration?

The CHAIRMAN. Is the price fixed in that?

Senator LODGE. There was a price fixed.

Mr. BABST. There was a margin fixed in this contract of October 1, which was entered into by all the refiners of the United States with the food administrator, of 1.3 cents a pound, wholesale, on the basis of fine granulated in barrels, over the basic price for 96 Cuban sugar, duty paid, New York.

Senator LODGE. That established the price of granulated sugar?

Mr. BABST. That established the price of granulated sugar, f. o. b., refiners.

The CHAIRMAN. That established the price, and the price was approximately 7.25, was it not, plus .25?

Mr. BABST. No; the margin established under the contract is a maximum margin of 1.3 cents above the basic price announced by the international committee.

Senator LODGE. That made it 8.15, did it not?

Mr. BABST. It made it at that time, on purchases made at 6.90, 8.35.

Senator LODGE. 8.35?

Mr. BABST. 8.35. Later on, when the Louisiana sugars arrived at Boston, it went to 6,70, if I have the right figures, which made the Boston price 8.15.

Senator LODGE. For the Louisiana sugars?

Mr. BABST. For Louisiana sugars which were 8.35, New Orleans.

Senator LODGE. Is that the reason that the beet sugar shipments made to Boston were raised to 8.15 very recently?

The CHAIRMAN. They were raised so as to be on a level with Louisiana sugar, which was being imported by the refiners there.

Mr. BABST. Yes. Of course in Philadelphia, where other Louisiana sugars were arriving on that same basis, the price became 8.15.

Senator LODGE. For beet?

Mr. BABST. For Louisiana cane, in Philadelphia.

Senator LODGE. But I mean in Boston.

Mr. BABST. Yes; within a short time in Boston the beet sugar was raised to 8.15.

Senator LODGE. To equalize it with Louisiana?

Mr. BABST. Yes, sir.

The CHAIRMAN. You got that Louisiana sugar—that part of it which was turned over to the refiners—you obtained that by a contract made with the Louisiana people? All that went to the refineries, you got?

Mr. BABST. No; we did not. Do you wish me to explain that?

The CHAIRMAN. I just wanted, for the present, to get the fact as to whether or not you got that part of the Louisiana crop which went to refiners. I understand there was a lot of their sugars that they did not refine—did not send to refineries. They turned it out of their mills.

Mr. BABST. Correct. The Louisiana crop——

The CHAIRMAN. You got all that the refiners got there?

Mr. BABST. The Louisiana crop was expected to be about 225,000 tons, of which the American Sugar Refining Co. has purchased, roundly, 27,000 tons. There is another amount, probably as large as the purchase of 27,000 tons, which has gone to the other Gulf refiners—namely, the Henderson Refinery and the Colonial Refinery at New Orleans.

The CHAIRMAN. You bought it all, did you not?

Mr. BABST. We did not. We have bought, altogether, between 26,000 and 27,000 short tons.

The CHAIRMAN. I will come back to that in a minute. You did buy 26,000 or 27,000 short tons. At what price?

Mr. BABST. At 6.35.

The CHAIRMAN. 6.35. Now, when you added your 1.30 refiner's profit——

Mr. BABST. We first added——

The CHAIRMAN. You first added what to it?

Mr. BABST. We first added freight from New Orleans to northern Atlantic ports.

The CHAIRMAN. How much was that?

Mr. BABST. Thirty cents, roundly.

The CHAIRMAN. Thirty-five cents for freight. All right.

Mr. BABST. Then you add 1.30 net.

The CHAIRMAN. 1.30 net for refiner's service?

Mr. BABST. For refiner's services.

The CHAIRMAN. And that makes a total—is that all?

Mr. BABST. That should make a total of about 8 cents; does it not? It should make 8 cents; and it does.

The CHAIRMAN. 6.35, and 0.35 for freight, and 1.30?

Mr. BABST. 6.35, 1.30, and 0.35 are the items.

The CHAIRMAN. That is right. It makes 8 cents.

Mr. BABST. The price is 8.15, because there is allowed to the wholesale dealers a discount of 2 per cent for cash, which means that while the refiner's actual selling price is 8 cents, the trade billing price, to the trade, would be 8.15 less 2 per cent for cash, seven days.

The CHAIRMAN. So that that brings it up to 8.15, which was the price you wanted to get for this sugar?

Mr. BABST. That was the price we were permitted to get as a maximum under our contract with the food administration, in accordance with paragraph 8.

The CHAIRMAN. Yes. Now, the price of beet sugar had been fixed away back some time in July at 7.25. That is right, is it not?

Mr. BABST. Seaboard.

The CHAIRMAN. Seaboard price?

Mr. BABST. Refining points.

The CHAIRMAN. And that would have meant 7.25 in Boston?

Mr. BABST. It would.

The CHAIRMAN. So that you would have had to have sold this sugar which you wanted to get 8.15 for, and were permitted to get 8.15 for, against beet sugar at 7.25?

Mr. BABST. That would have been true had there been any beet sugar in Boston, but there was no beet sugar there, nor at any other eastern seaboard point.

The CHAIRMAN. But there was some beet sugar mighty likely to get in there, was there not?

Mr. BABST. They had been trying, I was informed, to get beet sugar through to the New England States, and there had not been any for weeks.

The CHAIRMAN. Was there not 100,000 tons of Michigan beet sugar right at that time accessible, if cars were obtained?

Mr. BABST. As to your amount, of course I could not accept it, because I do not know; but there were large quantities of beet sugar being made in Michigan, and at other beet-sugar producing points, all of which, but for car shortage and freight congestion, might have been made available, and which they were trying to make available.

The CHAIRMAN. If that sugar had come in and had been sold at 7.25, or at any point below 8.15, your price would have had to have been reduced, or else you would not have had a market for the sugar at that point?

Mr. BABST. That would be true where the sugar was plentiful or only equal to the demand; but the conditions in New England at that time and as they still are, are that there is a demand for which there is no material to supply.

The CHAIRMAN. What did your sugar board, or your three American members of the board, have to do with the matter of getting transportation? What have you had to do with that?

Mr. BABST. Of what character? Well, I may answer that we have had nothing. As a member of the international sugar committee I have had nothing whatever to do with any matter relating to transportation, whether railroad or vessel, in regard to any domestic movement of any domestic product.

The CHAIRMAN. We understand that; but while this international committee—and I refer specifically to the three American members of the committee separately—to whom domestic problems were turned over, have undertaken to get together and specify prices, they have not in any way endeavored to facilitate the distribution of sugars over the country in order to supply the necessities of the people in the present crisis?

Mr. BABST. The duties of the American members of the international committee——

The CHAIRMAN. Just answer whether you have done anything at all?

Mr. BABST. I have not, because such a thing would lie entirely beyond my duties and authority. I neither have done, nor have been consulted in regard to, any of those matters.

The CHAIRMAN. When the law of supply and demand was set aside and the ordinary channels of trade were broken up and interrupted, and when the great sugar merchants or refiners were relieved of this responsibility which you said yesterday you felt rested upon them in normal times, of seeing that the people were supplied with sugar, when you were put upon this board and took the various actions which have been already testified to, you then did not make any effort at all to see that if there was a surplus of sugar in California, held even by one of the members of your own committee, that sugar or a part of it might reach New England, where they were without sugar? No effort whatever was made?

Mr. BABST. No question of that nature or character came before the international committee or its American members, nor could come before that committee under this contract. As an individual refiner, I have done a very great deal to meet that responsibility in the fullest possible way.

The CHAIRMAN. How have you done anything toward it except to sell your sugars in the market?

Mr. BABST. By making a great effort to obtain Louisiana raw sugars and move them by ocean from Louisiana to our northern refineries at Philadelphia, New York, and Boston.

The CHAIRMAN. We refer to the Louisiana deal as rather a separate proposition. Mr. Rolph, during the very time of this sugar shortage and prior thereto—and when I say Mr. Rolph I mean his company—had how much raw sugars in California?

Mr. BABST. That, of course, I do not know.

The CHAIRMAN. Do you not know approximately?

Mr. BABST. I have heard the amount stated here, but whether that is a correct statement I do not know.

The CHAIRMAN. While this sugar famine was on, did you not take any means to inquire from your associate on the committee, Mr. Rolph, or in any other way to inform yourself, as to sugar supplies?

Mr. BABST. As a member of the committee I have heard Mr. Rolph speak frequently of the great efforts he was making to obtain cars to bring that sugar, more of it, East; and he has made every effort, so far as I know, to distribute his sugar very widely, and at the price of 7.25, which he voluntarily made to meet the price of beet.

The CHAIRMAN. Do you know that it is a fact that other refiners asked to have a part of that sugar to refine, in order that they might supply the demands in this eastern part of the country?

Mr. BABST. I was present at the conferences among all the refiners when this matter of the very short supply of this country was fully but informally discussed, and I heard Mr. Rolph offer to sell to Mr. Spreckels, or to obtain for him from the Hawaiian planters, any raw sugars which Mr. Spreckels would purchase, and Mr. Spreckels responded that he would have to consult with his board of directors.

The CHAIRMAN. Now, let us get the place where this offer was made by Mr. Rolph to Mr. Spreckels to obtain these raw sugars or to turn them over to him.

Mr. BABST. That statement was made at a meeting held in my office on September 12, 1917. At this same meeting Mr. Earle, the president of the Pennsylvania refinery, also offered to sell Mr. Spreckels some of his Hawaiian sugars.

The CHAIRMAN. Let us first finish with Mr. Rolph. Mr. Rolph offered at this meeting on September 12, 1917, to sell Mr. Spreckels how much of his raw sugars?

Mr. BABST. It was a round amount. The exact amount I do not recall, but I remember that it was a round amount—something like 25,000 tons.

The CHAIRMAN. And at what price?

Mr. BABST. The price mentioned I do not recall. In fact, I think it was at the same price which Mr. Rolph's refinery itself was receiving it at under their contracts with the Hawaiian planters, at San Francisco, and which Mr. Earle was receiving it at under his contracts, at Philadelphia, which was in that case 10 points below the Cuban price, New York.

The CHAIRMAN. Who was present at this conversation?

Mr. BABST. Practically all of the refiners of the United States.

The CHAIRMAN. Let us have their names.

Mr. BABST. I have not the list here, but it was at the conferences which led to the contract entered into between the refiners and the United States Food Administration.

The CHAIRMAN. Oh, this is the proposition that was made before the contract, between the refiners?

Mr. BABST. Yes; the contract that was made on that day of the meeting between the refiners, where the terms of this contract were being discussed, and on the very day on which this margin of 1.30, net, was agreed upon by the individual refiners and the Food Administration.

The CHAIRMAN. Whom else was offered sugar on that day by Mr. Rolph?

Mr. BABST. Mr. Rolph offered sugar to Mr. Spreckels, and Mr. Earle also offered sugar to Mr. Spreckels.

The CHAIRMAN. Mr. Earle is connected with what company?

Mr. BABST. He is president of the Philadelphia Sugar Refining Co., of Philadelphia.

The CHAIRMAN. Handling a part of the Hawaiian supply?

Mr. BABST. Exactly.

The CHAIRMAN. Did he afterwards receive and refine those sugars and put them into the market?

Mr. BABST. I assume certainly that he did.

The CHAIRMAN. How much sugar did Mr. Rolph have on hand after the 1st of August that never did reach the eastern market?

Mr. BABST. That, of course, is a matter of which I would have no information, and no way of obtaining it.

The CHAIRMAN. Now, I want to ask you, Mr. Babst, if this conversation with Rolph as to furnishing Mr. Spreckles with sugar was not a proposition to furnish him the 1918 crop, which has not yet reached the market?

Mr. BABST. It certainly was not. It certainly was an out and out offer to give him sugar which as I understand they actually had on hand then in San Francisco.

The CHAIRMAN. Are you sure about that?

Mr. BABST. That is my very best recollection of the conversation; but there are a dozen men that were present in the room, and most of them can testify to exactly what transpired, including——

The CHAIRMAN. We will see what Mr. Rolph himself says about it.

Mr. BABST (continuing). Including Mr. Earle, who is here present in this room now.

The CHAIRMAN. Mr. Babst, you, as an American member of the international committee, had something to do with the question of the Louisiana sugars, did you not?

Mr. BABST. I did not.

The CHAIRMAN. Did any American member have anything to do with the Louisiana sugars?

Mr. BABST. They did not; not as a member of the international committee.

The CHAIRMAN. Oh, I am not asking whether they did it as the lord high executioner, or whether they did it as the mayor of the city, or whether they did it in some other capacity. I am talking about men, now.

Mr. BABST. Mr. Rolph is the head of the sugar division of the Food Administration, and he also is chairman of the international sugar committee.

Senator LODGE. Mr. Babst, if I may ask a question, who did fix the Louisiana prices? Who made the arrangement? I beg pardon: I understand——

Mr. BABST. It was all made——

Senator LODGE. If you will allow me to say so, I understand the objection of the department to speaking of price fixing, and I will try to use language which is more consonant with their feelings. Who arranged the price with Louisiana?

Mr. BABST. I was informed that the matter with Louisiana was arranged between Mr. Hoover and Hon. John M. Parker, the food administrator of Louisiana, and a committee of Louisiana planters headed by Judge R. E. Milling.

Senator LODGE. You had nothing to do with the arrangement of that price?

Mr. BABST. I had not.

Senator LODGE. Were you present when it was arranged?

Mr. BABST. I was not.

Senator LODGE. Were you in Washington when it was arranged?

Mr. BABST. I was. I was invited to come to Washington by the Louisiana planters, through a telegram sent by Mr. John M. Parker, and I came to Washington and was here.

Senator LODGE. You were here in Washington when the arrangement was made?

Mr. BABST. Here in Washington, and the Louisiana planters subsequently offered to sell to the American Sugar Refining Co. 100,000 tons of Louisiana raw sugar.

Senator LODGE. As soon as the arrangement had been made?

Mr. BABST. After they had made their arrangement with the food administration.

Senator LODGE. Before or after it was published?

Mr. BABST. They came to me very shortly; soon, in fact, after they had completed their conferences with the food administration.

Senator LODGE. Before it was published? Before the public announcement was made?

Mr. BABST. Oh, yes.

Senator LODGE. I may have made a mistake in following it. Did you say that 6.35 was the price the Louisiana planters were to receive?

Mr. BABST. 6.35 was what we paid for the Louisiana sugars. Under the arrangement which we entered into with the Louisiana planters we were to move half of those sugars north, and they were to pay part of the freight on that movement north, and we were to pay part of the freight, so that under the ultimate contracts which we entered into with the planters a matter of 10 or more days later, the net price to a planter of Louisiana would be 6.22½ cents a pound New Orleans, which would mean that they could move the sugars from their plantation into the city of New Orleans, where we took it aboard ships.

Senator VARDAMAN. How much sugar had the New Orleans planters to sell at that time?

Mr. BABST. They were just starting at that time to make their crops.

Senator VARDAMAN. How much did you buy?

Mr. BABST. We bought 26,000 short tons altogether, between 26,000 and 27,000 short tons altogether, but we did not make that purchase until—the conference in Washington was on—I will give you the dates. (After examining papers.) The negotiation in Washington extended from October 22 to October 24. The actual purchase of the sugar was not made, however, until November 6, at New Orleans.

Senator VARDAMAN. What portion of the Louisiana crop did you finally buy?

Mr. BABST. It probably will amount to about 10 per cent of the Louisiana crop, which is the smallest purchase we have made for a good many years. I have here a list of our purchases extending over a great many years, which shows that we ordinarily buy a very much larger quantity. For example, last year we bought 106,000 tons. Last year's purchase was nearly 40 per cent of the Louisiana crop. Would you like to have me give this table showing all our percentages?

Senator JONES of New Mexico. Just give it.

Mr. BABST. In the year 1900 we purchased 123,000 tons, being 46 per cent of the crop.

In 1901 we purchased 169,000 tons, being 52 per cent of the crop.

In 1902 we purchased 151,000 tons, being 46 per cent of the crop.

In 1903 we purchased 97,000 tons, being 42 per cent of the crop.

In 1904 we purchased 199,000 tons, being 56 per cent of the crop.

In 1905 we purchased 172,000 tons, being 51 per cent of the crop.
In 1906 we purchased 80,000 tons, being 42 per cent of the crop.
In 1907 we purchased 178,000 tons, being 58 per cent of the crop.
In 1908 we purchased 138,000 tons, being 45 per cent of the crop.
In 1909 we purchased 112,000 tons, being 37 per cent of the crop.
In 1910 we purchased 152,000 tons, being 50 per cent of the crop.
In 1911 we purchased 158,000 tons, being 51 per cent of the crop.
In 1912 we purchased 75,000 tons, being 44 per cent of the crop.
In 1913 we purchased 144,000 tons, being 53 per cent of the crop.
In 1914 we purchased 22,000 tons, being 10 per cent of the crop.
In 1915 we purchased 41,000 tons, being 33 per cent of the crop.
In 1916 we purchased 106,000 tons, being 39 per cent of the crop.
In 1917 we purchased 26,000 tons; call it 10 per cent. Of course, we do not know the outturn yet in Louisiana of the present crop, so that the percentage is somewhat of a guess, naturally.

The CHAIRMAN. Mr. Babst, do you mean to have the committee understand now that you were not engaged in any part of the negotiations that had to do with the purchase of the Louisiana crop?

Mr. BABST. Not so far as price was concerned. I negotiated with the Louisiana committee on all matters but price.

The CHAIRMAN. Let us see. The Louisiana committee came here and went to the Hotel Gordon?

Mr. CHRISTIAN. The food administration.

The CHAIRMAN. Well, the Hotel Gordon. Mr. Rolph had some rooms there, did he not?

Mr. LINDLEY. The office of the food administration. They had leased the hotel.

The CHAIRMAN. Very well; I am not saying it is a bad place. I know it is a good place. I am trying to locate these gentlemen. Mr. Rolph had some rooms or quarters in the Gordon Hotel in the city of Washington, did he not?

Mr. BABST. I attended a meeting——

The CHAIRMAN. Just answer my question. Did not Mr. Rolph have some rooms or quarters in the Gordon Hotel in the city of Washington?

Mr. BABST. Yes; the Food Administration was in the Gordon Hotel.

The CHAIRMAN. And Mr. Rolph had his offices there with the Food Administration, did he not?

Mr. BABST. He did.

The CHAIRMAN. The Louisiana planters went there, and were there for about two days, negotiating back and forth, and were many hours of time in those rooms with Mr. Rolph?

Mr. BABST. I assume they were.

The CHAIRMAN. And you were there during a part of that time?

Mr. BABST. I was there at one conference, and when they reached the matter——

The CHAIRMAN. One conference? Just one?

Mr. BABST. I was present at one conference where this matter of price was discussed.

The CHAIRMAN. What day was that, now?

Mr. BABST. I think that was the afternoon of October 22. I took no part in that discussion, except to answer questions about the movement of these sugars.

The CHAIRMAN. When you were there, when you met these Louisiana people there—now, let us just get a few questions and answers—when you met these Louisiana people there first, there were a number of the Louisiana men there, were there not?

Mr. BABST. Oh, yes.

The CHAIRMAN. And you were there and Mr. Rolph was there. That is correct, is it not?

Mr. BABST. And a number of men from my own company were there.

The CHAIRMAN. And a number of men from your own company?

Mr. BABST. All of whom are here in the room.

The CHAIRMAN. What were you discussing about the Louisiana crop when you first got together there, the first day?

Mr. BABST. The discussion was entirely between the Louisiana planters' committee and Mr. Rolph.

The CHAIRMAN. In regard to what?

Mr. BABST. In regard to a great many matters relating to the present Louisiana crop, as well as the matter of price. They discussed the cost of production—a very general discussion in regard to the Louisiana crop.

The CHAIRMAN. As a matter of fact, these Louisiana planters had come to this city to confer with the Food Administration with reference to what disposition was going to be made of their crop? That is about the size of it?

Mr. BABST. And they had asked me to come here.

The CHAIRMAN. Yes. Now, what I have said is about the situation, is it not? That is what they were here for?

Mr. BABST. So I should gather from what they said to Mr. Rolph.

The CHAIRMAN. Yes; and when you got together in there you discussed the cost of the production of this crop with these Louisiana men, did you not?

Mr. BABST. I did not.

The CHAIRMAN. Well, the others discussed it in your presence?

Mr. BABST. They did.

The CHAIRMAN. And you were asked questions about prices, were you not?

Mr. BABST. I was not.

The CHAIRMAN. What were you asked questions about?

Mr. BABST. I was asked about the moving of this sugar.

The CHAIRMAN. The moving of it?

Mr. BABST. The shipping of it, and all the matters which relate to the sugar after it had come into our hands, and how it would come into our hands.

The CHAIRMAN. It was assumed it was coming into our hands, was it?

Mr. BABST. I said to them that we would take the sugar, a large quantity of it, at any price which the Government would permit us to pay. I was fearful that this discussion was going to lead to an embarrassing situation, and I made a statement of the matter which I should like very much, if you will permit me, to give you at this time or repeat to you at this time.

The CHAIRMAN. Is it written?

Mr. BABST. It is printed, and it was taken down stenographically at the time.

The CHAIRMAN. Who had it taken down?

Mr. BABST. The Food Administration had a stenographic report on it.

The CHAIRMAN. Of everything that took place at the meeting?

Mr. BABST. Of everything that took place at the meeting at which the statement was made.

The CHAIRMAN. Do you know whether there was a stenographic report taken of all these meetings you had with reference to Louisiana sugar?

Mr. BABST. My recollection is there was no stenographic report of the meeting of the afternoon of October 22, but there was a stenographic report of the meeting of October 23, and the statement which I have made was made immediately upon my coming into the room and on the opening of that meeting, on the morning of October 23.

The CHAIRMAN. Before we come to the statement, take the 22d, the time when there was no stenographic report taken, what were you all in there talking about; what were you doing?

Mr. BABST. They were talking with relation to the matter of price. The Government—the Food Administration—had had a number of telegrams back and forth between the Louisiana planters and themselves, and Mr. Parker had come here with his committee, and was discussing the matters raised in these telegrams, and they had a very general discussion about the whole Louisiana situation. I was not in that meeting until late in the afternoon and did not come to that meeting until they had come to me at the hotel and asked me to go there.

The CHAIRMAN. What did they want you to go there for?

Mr. BABST. They wanted me to go to see if we would buy the Louisiana sugars.

The CHAIRMAN. Did you say that you would buy them?

Mr. BABST. Yes. In fact, we always have bought them.

The CHAIRMAN. You bought 40 per cent of them sometimes and sometimes 37 per cent, but never mind about that. You said that you would buy them. What was said about price? Of course a business man like you does not buy blindly, but must know something about the price.

Mr. BABST. Having signed this contract which fixed the maximum of our refining margin, it was not like an ordinary buying and selling at all, because at whatever price those Louisiana sugars were delivered we received a refining margin as provided in this contract.

The CHAIRMAN. But you would receive also a profit on your sugars if you got them low enough to sell below the general market.

Mr. BABST. Oh, no; we could get nothing whatever from the Louisiana sugars except this 1.30 provided in this contract.

The CHAIRMAN. Let us see if that is correct. Suppose you had purchased Louisiana sugar for a cent a pound?

Mr. BABST. Then we would have to sell it for $2.30 a hundred.

The CHAIRMAN. Do you mean to say that you would have to sell it for $2.30 a hundred?

Mr. BABST. Yes.

The CHAIRMAN. Under this contract?

Mr. BABST. Yes.

The CHAIRMAN. Show me the clause of the contract under which you say that that would be true. Show me the clause of the contract

which you say limited you so that you could not in any event make anything but 1.30 refiner's fee, no matter what you paid for the sugar.

Mr. BABST. Paragraph 8 of the contract provides as follows [reading]:

> The refiner agrees that it will sell all sugar refined by it at a price not more than 1.3 cents net per pound wholesale of refined sugar on the basis of fine granulated sugar in barrels or in 100-pound bags (when used as the standard basis) f. o. b. refinery, above the basic price for 96 degrees centrifugal sugar as determined by the International Sugar Committee under paragraph seven (7) above and in force on the day when such sale of refined sugar is made, with such differentials as are shown on its official price list.

The CHAIRMAN. "Above the basic price." Now, if the basic price was above the price that you paid for the Louisiana, you would make the difference, would you not?

Mr. BABST. We would not.

The CHAIRMAN. Where would it go, then? You were permitted to sell at 130 points above the basic price, and if you got the Louisiana below the basic price, bought that sugar and owned that sugar, why would you not have the difference?

Mr. BABST. The best illustration is the fact that we bought Louisiana sugar at 6.35 f. o. b. New Orleans, or 6.70 f. o. b. Boston, at a time when the basic price mentioned in paragraph 7 and referred to in paragraph 8, which I have just read, was fixed at 6.90. We refined the Louisiana sugar purchased at 6.70 and sold it at 8 cents net or 8.15 gross, which is exactly in compliance with paragraph 8 of the contract to which I have referred.

The CHAIRMAN. In other words, you got more. You got still a greater profit.

Mr. BABST. No, no. We got just exactly what the contract provided for.

The CHAIRMAN. You claim that you paid a high price for the Louisiana sugar?

Mr. BABST. I merely claim that we paid 6.35 New Orleans, added the ocean freight, making 6.70 Boston, and to that we added 1.30, the margin provided for in the contract, and based our price at 8 cents net or 8.15 gross at a time when the basic price to which you are referring and which is in the province of the International Sugar Committee, was 6.90.

The CHAIRMAN. In other words, you were not bound down in your price by the 6.90 price at all?

Mr. BABST. Yes; we were. And we were not only bound down but our price actually was based on 6.70 and not on the higher price of which you speak.

The CHAIRMAN. In order that I may understand you, I am once more going to ask you if you mean to tell the committee this, that the clause which you have read in that contract was of such a nature that no matter what price the American Sugar Refining Co. paid for the raw sugar of Louisiana it could only make $1.30 a hundred?

Mr. BABST. Net.

The CHAIRMAN. At the time, regardless of the price at which it bought it and regardless of the price at which it sold?

Mr. BABST. I mean exactly that, and I mean also that is exactly what has been the fact with every pound of Louisiana sugar that we have purchased.

The CHAIRMAN. But you claim you paid a price for the Louisiana sugar that would bring it up, as I understand you, above the other?

Mr. BABST. I mean nothing of the kind, and nothing different from the fact that on every pound of Louisiana sugar which we purchased, both under the terms of the contract and as a matter of fact, we received and attempted to receive only $1.30 net for the refining operation.

The CHAIRMAN. I am not asking you what you got out of the Louisiana purchase. I am discussing the question of prices, and you have stated to the committee that even if you had bought the Louisiana sugar for 1 cent a pound, that you could not under the terms of your contract then have sold it at above $2.30 a hundred.

Mr. BABST. We could not and did not.

The CHAIRMAN. What would have happened to the sugar market under those circumstances, if there was sugar thrown in at that very low price, and you could not charge enough to bring it up to the ordinary price of sugar?

Mr. BABST. Why, under the normal market, of course, we would have expected to sell all the sugar. Under the present market anyone could sell sugar at any price they are permitted to ask for it. There is another reason, Mr. Chairman, why we could not charge more than $1.30, or 1.3 cents, net, than that contained in the contract, although I think the contract is entirely sufficient to cover that point, and our company would not for a moment violate it.

The CHAIRMAN. I do not think, but I know, having heard it read, that it does not touch the point; it does not place any such restriction upon it.

Mr. BABST. May I call your attention to the instruction——

The CHAIRMAN. If you have something else that you claim covers it, we will proceed to that. What is that?

Mr. BABST. The announcement made by the Food Administration on October 19, 1917.

The CHAIRMAN. How long was that after you had contracted for this sugar?

Mr. BABST. About two weeks previous to the time that I came to Washington to meet the Louisiana planters. That announcement is as follows [reading]:

EXHIBIT No. 48.

OCTOBER 19, 1917.

To the sugar trade:

It has just been brought to the attention of the United States Food Administration that refined sugars are being distributed in New York City and elsewhere on a margin of profit that the United States Food Administration considers unfair and unjust and not in accordance with the Food-Control bill of August 10, 1917. The trade is hereby notified that until further notice any margin charged by any refiner of over 130 points net will be considered unfair and unjust, and any resales of such refined sugar (for domestic or export) to any customer, etc .

Mr. BABST. Proceeding then with provisions relating to jobbers.

The CHAIRMAN. You may have regarded that as in a sense binding upon you. Did you regard it as legal that the food administration had the authority to fix the price upon the sugars of this country?

Mr. BABST. They do not attempt to do that in this document.

The CHAIRMAN. Did they not attempt to do it there?

Mr. BABST. They merely attempted here to fix a margin of profit which they considered just and fair.

The CHAIRMAN. Well, we will not argue it, because there is no use of going into that sort of controversy.

Mr. BABST. You ask a legal question and, of course, that comes directly under the food-control act.

The CHAIRMAN. Of course, it does not. There is no such power given as that; but I shall not argue that. So that your position now is that it did not make any difference what the price fixed was on that Louisiana sugar, if you could only make a profit of 1.30 cents; and you would profit that much anyway?

Mr. BABST. We could not, under any circumstances, charge a refining margin of more than that, as the contract provides for a maximum refining margin.

The CHAIRMAN. And yet you were so modest, although you could not profit or lose by the transaction, that when they came to fix the price you stepped out of the room?

Mr. BABST. I most certainly did, and made the statement——

The CHAIRMAN. Why, when you could not profit or lose, should you have modestly retired and left the fixing of the price to some one else?

Mr. BABST. I have already stated it, and I shall repeat it to you.

The CHAIRMAN. Oh, by the way, before you read the answer, do you know where the complete transcript of the proceedings that were taken down of these two meetings is?

Mr. BABST. I do not. I asked the stenographer for them as soon as I had finished making the statement—that is, for a copy of my statement.

The CHAIRMAN. Why did you want to preserve a copy of your statement?

Mr. BABST. Because I was very anxious that our position in the matter should not be misunderstood in Louisiana.

The CHAIRMAN. Did you feel that it was a matter of some delicacy and therefore you had better be pretty careful?

Mr. BABST. I believe it is always a very delicate matter for anyone to fix the price of another man's product, and therefore, so far as I was concerned in this particular matter, it being outside of the ordinary relation of buyer and seller in an open, free market, and the price having been the subject of conferences by the food administration and of Louisiana planters, I wished it understood that I had been no party to such conferences; I was there purely as a buyer of sugar at the price which might be fixed by the Government.

The CHAIRMAN. You think that same ethical principle ought to run through all of the matters of business, do you not?

Mr. BABST. In normal times I most certainly agree that the law of supply and demand is the proper law. In abnormal times, such as we are having with sugar, I do not think so.

The CHAIRMAN. You think that no man ought to sit in his own case and determine matters as a public official where he may have a private interest?

Mr. BABST. I most certainly do, and I never have done so, directly or indirectly, in this matter or in any other.

The CHAIRMAN. You helped to fix the regulation, did you not, of the kind of sugar that was to become the basic sugar and the price of which was to be regulated—granulated sugar? You helped to fix that, did you not—the basic price of granulated sugar?

Mr. BABST. I most certainly took part in that contract, together with all other refiners, entering into it voluntarily, with the Food Administration, under a contract they themselves had prepared.

The CHAIRMAN. At that time you were a large handler of special brands of sugar, were you not?

Mr. BABST. We always have been.

The CHAIRMAN. I will drop that thread at this point and let the witness put in the statement that he desires to put in.

Senator LODGE. Can not that be printed?

The CHAIRMAN. Yes; it can be printed. We will take a recess here until quarter after 2.

(Thereupon, at 1 o'clock and 15 minutes p. m., the committee took a recess until 2 o'clock and 15 minutes p. m.)

AFTERNOON SESSION.

At 2.15 o'clock p. m. the subcommittee reassembled, pursuant to the taking of the recess.

The CHAIRMAN. The committee will come to order and we will resume our hearing.

TESTIMONY OF MR. EARL D. BABST, PRESIDENT OF THE AMERICAN SUGAR REFINING CO., NEW YORK CITY—Resumed.

The CHAIRMAN. Mr. Babst, have you a copy of the American Sugar Bulletin before you which contains the contract you made with the Louisiana people?

Mr. BABST. I have, and I also have copies of the actual contracts themselves.

The CHAIRMAN. Will you let me have one of them?

Mr. BABST. That is, those are the two papers that went to all the Louisiana planters [handing papers to the chairman].

The CHAIRMAN. I notice that this contract states that the price is 6.35. Is it not a fact that the price of 6.22 was previously agreed on?

Mr. BABST. The price named—agreed upon between the Food Administration and the Louisiana planters—was 6.35, all refining points. Under the negotiation with the Louisiana committee, one-half of these sugars was to be moved north, on which the planters would make a contribution toward the 35-cent freight rate, and to which the American Sugar Refining Co. should make a contribution of any excess over the 25 cents, which resulted, when the freight was worked out, in the price of 6.225 net, New Orleans.

The CHAIRMAN. 6.225 net?

Mr. BABST. New Orleans.

The CHAIRMAN. Yes.

Mr. BABST. I, if permitted, could state this whole Louisiana transaction chronologically, in such a way as to make clear the whole matter, Mr. Chairman.

The CHAIRMAN. Very well, you may do that; only be as brief as you can and cut out immaterial details.

Mr. BABST. I understand that there are two matters on which the committee is interested, one the charge that we received more than 1.30 for our refiner's margin over the cost of the raw, refining points; the other, the charge that I as a member of the International Sugar Committee took part in the Washington conferences.

The CHAIRMAN. No, sir; the question that you said you wanted to state, in chronological order, an answer to, is, what took place. Now I said to do that but to leave out minute and immaterial details. Give us the matter—the essential points.

Mr. BABST. I shall have, then, to confine my answer to a chronological detailed statement of the facts which relate to the subjects.

On August 10 the food-control bill was passed by Congress, which provided power in the food administrator to fix fair and reasonable profits and also provided power to enter into voluntary agreements with producers and others.

On September 12 there was a meeting of all the refiners of the United States at New York with a representative of the food administrator.

The CHAIRMAN. Who was that?

Mr. BABST. Mr. George M. Rolph; at which meeting each, severally, agreed with the food administrator that 1.30 net was a fair maximum refining margin.

The CHAIRMAN. While I do not want to interrupt you, I want to ask you if that 1.30 net was in excess of or less than the average profits in other years of the refiners?

Mr. BABST. It was less than the margin of other refiners in the United States during the year 1917, except the average margin of the American Sugar Refining Co.

The CHAIRMAN. I am asking about other years. Was it greater than or less than the ordinary average margin made by sugar refiners in past years?

Mr. BABST. I would state to the chairman that an answer to that question, if given in a way to be helpful, would take us far afield in regard to matters both of cost and of raw sugar and of refining operations.

The CHAIRMAN. Well, go on with your chronology. I will get it from somebody else, if I can.

Mr. BABST. On October 9 there was an announcement by the Food Administration to the sugar trade of the United States declaring, among other things, as follows:

> The trade is hereby notified that until further notice any margin charged by a refiner of over 130 points, net, will be considered unfair and unjust.

The CHAIRMAN. Was that after you had already agreed upon 1.30?

Mr. BABST. That was within a few days of a month after the agreement on the 1.30.

The CHAIRMAN. In other words, all the refiners in the United States get together with the food administrator and agree on $1.30——

Mr. BABST. Severally.

The CHAIRMAN. Yes; and then the food administrator solemnly serves notice on all these men who have already agreed to take $1.30 that if they take any more than that it will be unfair.

Mr. BABST. And unjust.
The CHAIRMAN. Yes, and unjust. All right.
Mr. BABST. On October 10——
Senator VARDAMAN. Mr. Babst, do you know of an instance where the refiners have charged more than that?
Mr. BABST. I do not.
Senator JONES. You mean before or after this time?
Senator VARDAMAN. Well, after you had fixed the price.
Mr. BABST. I do not.
Senator VARDAMAN. I understood you to say that that notice was issued by the food administrator about a month after the agreement was made.
Mr. BABST. It was.
Senator VARDAMAN. Do you know of anybody selling below that?
Mr. BABST. I do not; so far as I know every refiner in the United States has strictly adhered both to his contract entered into with the food administrator and also to all its rules and regulations.
Senator VARDAMAN. What was the purpose of isuing that notice: do you have any idea? If you had entered into that contract, what was the purpose of the Food Administration in saying that, a month after you had entered into the contract.
Mr. BABST. In the Food Administration's notice they state——
The CHAIRMAN. Have you the notice there?
Mr. BABST. I have.
The CHAIRMAN. If it will not interrupt you, Senator Vardaman. I should like to have it put into the record.
Senator VARDAMAN. Very well.
The CHAIRMAN. Just put in the whole notice.
The notice referred to is here printed in full, as follows:
Mr. BABST. The notice of the food administration on its face carries, I think, an answer to the question of Senator Vardaman. The notice of October 9, 1917, is as follows [reading]:

EXHIBIT No. 49.

To the sugar trade:

It has just been brought to the attention of the United States Food Administration that refined sugars are being distributed in New York City and elsewhere on a margin of profit. That the United States Food Administration considers unfair and unjust and not in accordance with the Food Control bill of August 10, 1917. The trade is hereby notified that until further notice any margin charged by refiner of over 130 points net will be considered unfair and unjust, and any resales of such refined sugar (for domestic or export) to any customer carrying a margin of over 25 points per 100 pounds over the refiner's list price will also be considered unfair and unjust and contrary to the provisions of the food control bill, unless such sale is first approved by the United States Food Administration.

The distributing trade will be licensed within a few days, and a statement of all sugar transactions carried out by them during 30 days prior to application for license will be demanded upon making application for license, and any overcharges will have an important bearing on the issuance of such licenses to such persons.

UNITED STATES FOOD ADMINISTRATION,
GEO. M. ROLPH.

Senator VARDAMAN. Evidently somebody had been violating their contract. Do you not think they had?
Mr. BABST. The contract, while bearing the date of October 1, was not completed and filled, so far as the American Sugar Refining Co.

is concerned, until October 10, the day after this notice. What the date of filing of the actual contract by other companies may be, of that I have no knowledge.

The CHAIRMAN. You had, however, made an agreement when you were all together, and had made that agreement nearly a month before.

Mr. BABST. And we were obeying that agreement at the time and at all times since having made it.

Senator VARDAMAN. Have you any idea who had violated the contract?

Mr. BABST. I was going to look and see, here——

Senator VARDAMAN (continuing). That drew forth that reproof that Mr. Hoover made?

Senator JONES. It will be observed that that notice covers prices other than that from the refiners; it covers the profit which the jobber may make.

The CHAIRMAN. Oh, yes; but it also refers to the first two or three things; it also refers to the prices, and specially to what the jobbers have been doing.

Mr. BABST. I do not think I dare to undertake to answer that, because I have not with me and at hand sufficient accurate information as to the price of raw sugar, duty paid, New York, and the price refined, of any other refiner, as of the few days prior to October 9, to accurately and justly answer that question; but it can be obtained, and, if desired, will be obtained.

The CHAIRMAN. All right. Proceed with the chronology?

Mr. BABST. All the events which I have heretofore mentioned as being connected with the Louisiana purchase preceded my coming to Washington in answer to the invitation of the Louisiana planters, which did not take place until October 22, or 12 days subsequent to both the food administration notice of October 9 and the filing of the refiners' contract of October 1 with the food administration.

On October 22 I came to Washington, and about 3 o'clock in the afternoon of that day, at the invitation of the Louisiana committee, of which Judge Milling, now in the room, is chairman, I appeared at the offices of the food administration, where a conference was being held, and which was presided over by John M. Parker, food administrator of Louisiana. In the course of that afternoon there was very general discussion about a great many things, including, among others, a suggested plan of averaging the sales of the refined sugar over the prices of the raw in such a way as to net to the refiner 130 points, but doing it gradually, so as better to meet the market conditions as they prevailed at that time. There was also a suggestion——

The CHAIRMAN. That is, they were not to add 130 points to begin with, but they were to gradually work to and beyond that point?

Mr. BABST. So that it would come out on the average; that was considered.

The CHAIRMAN. At what point did they propose to start?

Mr. BABST. Do you wish to go into that?

The CHAIRMAN. Oh, just if you can tell me briefly.

Mr. BABST. It required elaborate discussion, but the purpose that was being discussed, and which was rejected afterwards as not being

practical for the reasons which I have already set forth under these food decisions and contracts, was abandoned.

There also was discussed at this same meeting and considered the purpose of changing the distributive territory of the beet sugar distributing committee, which had headquarters at Chicago, in order to make a more equitable and fair and quick distribution of Louisiana sugars in such a way as to meet the sugar pinch, as it has been spoken of, which was already then beginning to show development.

The CHAIRMAN. The beet sugar distributing committee?

Mr. BABST. At Chicago. This plan was also rejected for fear it might prove impracticable and for fear it might be misunderstood.

The next morning I returned to the committee room in the Food Administration building, and after having thought over the discussions of the previous day, although I had taken only the part of a spectator in them, yet I felt somewhat disturbed for fear they might be given an interpretation in Louisiana which was different than would appear on their face. Therefore, finding a stenographer present, immediately upon the convening of the meeting I said to Mr. John M. Parker that I desired to make a statement at once. The statement which I made reads as follows——

The CHAIRMAN. Can we not just file that?

Mr. BABST. I should like very much to read it, Mr. Chairman, as it is necessary to an understanding, if you are to ask me further questions.

The CHAIRMAN. All right. It will take some time, I judge.

Mr. BABST (reading):

Mr. Chairman, in view of the character of the discussion yesterday I think it very important that I should state just why we are here. We came on the request of Mr. Rolph, as we understood, as the result of a suggestion made by Mr. Parker to Mr. Rolph.

The CHAIRMAN. By the way, whom do you mean by "we"?

Mr. BABST. Myself; Mr. Joseph E. Freeman, secretary of the American Sugar Refining Co.; Mr. Ralph S. Stubbs, general manager of the American Sugar Refining Co., all of whom are here present in the room; and Joseph A. Ball, general sales manager of the American Sugar Refining Co., who is not here in the room.

The CHAIRMAN. Any other men connected with your company?

Mr. BABST. No; those are all.

The CHAIRMAN. Very well.

Mr. BABST. There were also present in the room, in addition to Chairman Parker and Mr. Rolph, Judge R. E. Milling, who is here present in the room, and Mr. Eugene A. Pharr, John Marks, J. C. Le Bourgeois, Ulyssee Landry, Joseph B. Chaffe, and Paul Christian who is here in the room, the first-named being a committee representing Louisiana cane growers and raw-sugar producers.

The CHAIRMAN. Then all the people that were in the room at that time were either the Louisiana sugar people or the people of your company?

Mr. BABST. And the food administrator of Louisiana and Mr. George M. Rolph, head of the sugar division of the Food Administration, and possibly other representatives of the Food Administration.

The CHAIRMAN. Proceed.

Mr. BABST. I will start again [reading]:

EXHIBIT No. 50.

Mr. Chairman: In view of the character of the discussion yesterday I think it very important that I should state just why we are here. We came on the request of Mr. Rolph, as we understood, as the result of a suggestion made by Mr. Parker to Mr. Rolph. We have not been present at any conferences which have been held on this subject, except the one in this room yesterday. Neither have we been informed as to the proceedings in any other conferences which may have been held. We wish it understood that the American Sugar Refining Co. is not only ready, but is anxious to purchase at least 100,000 tons of Louisiana raw sugar for delivery in the months of November and December, at whatever price the Government will permit us to pay, and which would enable us to refine and distribute that sugar on a competitive basis—of course, without loss. In other words, our desire is to purchase at least the equivalent of $12,000,000 worth of raw sugar at this time. If you men are prepared to make the offer, and have the power to sell, we are here ready to accept the offer with the power to buy.

In explanation of our anxiety to make such a large purchase I desire it to be understood and known that four out of our six refineries are absolutely closed to-day by reason of the lack of raw sugar supplies—the refinery at New Orleans, at Brooklyn, and two at Philadelphia. A fifth refinery will be closed probably during this current week for the same reason.

That situation is one not only true of the American Sugar Refining Co., but is true of practically all the remaining refining industries of this country. To-day the refineries belonging to the Warner, Federal, Arbuckle, and Savannah Sugar Refining companies are closed. I know that with the exception of the four refineries that have Hawaiian "raws," all the remaining refineries are about to be closed.

This means that we, as refiners, are to-day carrying on our pay roll at New Orleans and at these other refining points our employees and organization, with the prospect of having to carry them until the first day of January at large expense of millions of dollars, or else of disbanding those organizations and throwing those men and their dependents upon their own resources.

I mention this as showing, and as an earnest of, our sincere desire to buy Louisiana raw sugar at this time at any price which the Government will permit us to pay, refining half of it in New Orleans and moving the other half of it to northern refineries, and refining and distributing it on a competitive basis at any price which will show no loss to us.

We, as a company, have had for weeks a tonnage under option to move this Louisiana sugar, and we are prepared with the cargo vessels to move the sugar north, providing, of course, we have the support of the Government, as we look forward to having it in the event that a price can be agreed upon between Louisiana and the Government, which would keep those particular vessels which we have under charter in the coastwise trade.

Now, this situation as to the refiners themselves is merely preliminary to a further development of the sugar situation. We sell refined sugar to 80 different lines of manufactures. A lot of these lines of manufacture are going to be affected by this lack of raw sugar and by the closing of these refineries. It means, in a progressive procession, the closing down of hundreds of confectionery, preserving, and other lines of industry included in these 80 lines that I have mentioned. The closing down means the throwing out of employment of tens of thousands of people. I possibly am not exaggerating when I look forward to seeing at least a half million people, in the course of the next two months, deprived of their livelihood by the developments in this sugar situation, unless relieved.

I have my own reasons, or, rather, I have my own opinion, and I have expressed it publicly a great many times as to what has caused this situation. As you know, I am on record since the 29th day of June and have continued to reiterate it ever since that day, not only in the public press, but with all the Government officials from the highest in the land down to those that have in charge at the present time the administration of this Food-Control bill.

This company, and I mean by that the American Sugar Refining Co., is now under Government control, as are all the other sugar refineries in the country.

I wish it distinctly understood that neither this company nor any of its offices have ever had anything to do, nor were ever consulted, in the fixing of the beet price of seven and a quarter, which has now become the basic price for the United States.

Now, inasmuch as this question of price is a matter entirely between the Government and Louisiana, and we are here as a buyer, and an anxious buyer, under Government control I deem it advisable for us to withdraw from this conference until a price basis has been established, so that our presence here in no way can be considered in Louisiana, either by their business men or their State officials, nor by the planters themselves, as having anything whatever to do with this matter of price. We have nothing to do with it now. We have had nothing whatever to do with it in the past.

At that time they pressed me to stay, especially the chairman, Mr. Parker, to which I replied:

"Still, Mr. Parker, while I have come at your invitation, as I always should and always will, yet, with a discussion developing here which might entangle us in a misunderstanding with Louisiana, especially as the conference now shows a development toward the matter of price to be paid, I think it is fair, and only fair to ourselves, in order to avoid any misunderstanding whatever in a situation which we have tried so hard to straighten out, that we should be excused from this conference until this matter of a basis of price has been established."

Mr. BABST. Immediately upon dictating that statement I passed over to the stenographer who was taking it and asked him to hand me a copy. That copy of the statement of October 23 was placed in the American Sugar Bulletin in full, exactly as I have read it, on October 26, 1917, three days following, and sent not only to all the Louisiana planters but to 6,000 leading business men and State officials of the State of Louisiana, and to more than 6,000 customers of the American Sugar Refining Co. throughout the country.

The CHAIRMAN. That is to say, the statement was printed three days after you made it?

Mr. BABST. In the bulletin, and distributed as I have described.

The CHAIRMAN. Three days afterwards. Now, you were going on with your chronology.

Mr. BABST. Yes; I will go on.

The CHAIRMAN. You retired from the room?

Mr. BABST. I did.

The CHAIRMAN. Who else retired from the room with you?

Mr. BABST. All of the men of the American Sugar Refining Co. who were with me and whom I have named.

The CHAIRMAN. And that left in the room Mr. Rolph and the representatives of the cane producers of Louisiana?

Mr. BABST. And any other members of the Food Administration, whose names I do not know.

The CHAIRMAN. Were there any there that you know of?

Mr. BABST. There were, but I do not recall, except that they were not negotiating.

The CHAIRMAN. Let us have the next step in the chronology. You went into the next room at that time?

Mr. BABST. No; I did not. I left the building and returned to the hotel with my associates.

The CHAIRMAN. What hotel?

Mr. BABST. The Willard Hotel in Washington. I went there with my associates and was called upon in the early afternoon.

The CHAIRMAN. Of the same day?

Mr. BABST. Of the same day. I was called upon by the entire committees from Louisiana.

The CHAIRMAN. About how long was it after you left the room until the Louisiana people arrived at your hotel?

Mr. BABST. Four or five hours. That call from the Louisiana committee at the hotel resulted in all of our party accompanying the Louisiana committee in return to the committee room of the Food Administration.

The CHAIRMAN. On the same day?

Mr. BABST. On the same day.

The CHAIRMAN. How much time did they spend with you in your room before you went back?

Mr. BABST. Possibly half an hour, I should say, but I do not remember.

The CHAIRMAN. They just came down and escorted you back?

Mr. BABST. They came down and discussed several matters and escorted me back.

The CHAIRMAN. What did they discuss with you?

Mr. BABST. The exact details were unimportant. I have no accurate recollection of it.

The CHAIRMAN. What was the talk about at this time, except price?

Mr. BABST. The price at that time had not been determined upon. They were still concerned with other details of the transaction, which Judge Milling will have to explain.

The CHAIRMAN. There was not a word said about the price the whole afternoon by any of these men who were about to sell you $12,000,000 worth of stuff? Although the representatives of the sellers and you, who were a prospective buyer, were together in the room for half an hour, there was not one single word spoken about the price, was there?

Mr. BABST. That is true. They had an idea about the conferences of the morning up there which I did not think was accurate and I desired to know definitely just how far they had gotten.

The CHAIRMAN. What was that idea? That is rather vague and indefinite and uncertain to us. Tell us what that idea was.

Mr. BABST. That related to the question of freight.

The CHAIRMAN. Of freight?

Mr. BABST. Absolutely, it is inaccurate in my recollection.

The CHAIRMAN. How did you come to be talking about freight, unless you were doing it in connection with the price?

Mr. BABST. Mr. Stubbs, who was present at that conference, has now reminded me, in confirmation of what I have already said, that they had some plan that seemed to me quite indefinite and uncertain, and that I wished to know exactly what it was before I even gave the matter consideration.

The CHAIRMAN. What plan?

Mr. BABST. Mr. Stubbs says the plan which they came with related somewhat to tollage of these raw sugars, as well as to territories to which they should go. Judge Milling is here, and a question to him would clear that up if you desire to put it.

The CHAIRMAN. Tollage had something to do with the price of sugars, did it not?

Mr. BABST. Not at all. If it was tollage, that would be the very thing which would have no relation to price.

The CHAIRMAN. That is, they were talking to you about refining sugars on toll?

Mr. BABST. Yes; that is my best recollection.

The CHAIRMAN. And you declined to do that?

Mr. BABST. I always have declined to do it, and if that was the proposition I most certainly did.

The CHAIRMAN. You do not remember about it?

Mr. BABST. Not those 20 minutes, because the statement was so hazy that I insisted on going back and getting it clear.

The CHAIRMAN. Where did you go when you went back?

Mr. BABST. To the food administration, and very shortly thereafter Senator Broussard, of Louisiana, and a member of this committee, joined the Louisiana committee and possibly was present in the room when we arrived there.

The CHAIRMAN. What took place when you got there?

Mr. BABST. In any event the proposal which they had made was brought out, and Mr. Rolph——

The CHAIRMAN. What proposal?

Mr. BABST. In regard to toll; that was the proposal. In any event, Mr. Rolph said that was not the matter at all, whereupon Mr. John M. Parker put his fist down on the table, and he said to Mr. Rolph, "Now, then, let us, you and I, go up and see Mr. Hoover and definitely decide just what this thing is going to be." Whereupon they left the room and were gone for a considerable time and returned, and I remember I stood chatting with the Louisiana men in the hall, including Senator Broussard, when Mr. Parker returned and he said, "Well, the whole thing is settled; it is 6.35."

The CHAIRMAN. That was settled between Mr. Hoover——

Mr. BABST. And John M. Parker.

The CHAIRMAN. And Mr. Rolph?

Mr. BABST. Exactly; and my recollection is that no other member of the Louisiana committee went but those two men, Mr. Parker going as the representative of the Louisiana committee. Am I right, Judge Milling?

Mr. MILLING. I suppose so, Mr. Babst. He went at least for the purpose of seeing if we agreed to the 6.35.

The CHAIRMAN. Very well. They came back and said it was 6.35. About what time in the day was that when they got back?

Mr. BABST. I should imagine that was half past 4—between 4 and 5.

The CHAIRMAN. Then what took place?

Mr. BABST. Then a long discussion took place about the matter of arranging freight, and a great many different propositions were presented.

The CHAIRMAN. What do you mean by arranging freight—about who was to pay the freight or about how the transportation was to be obtained?

Mr. BABST. Who was to pay the freight on the sugar which was to be moved from Louisiana to the north Atlantic ports.

The CHAIRMAN. Who took part in that discussion?

Mr. BABST. Everybody in the room.

The CHAIRMAN. Including yourself?

Mr. BABST. Including myself.

The CHAIRMAN. So that you did discuss with these gentlemen the question of who was to pay the freight to north Atlantic seaports?

Mr. BABST. Certainly.

The CHAIRMAN. And that had something to do with the net price to you, did it not?

Mr. BABST. Not at all, because the matter of freight——

The CHAIRMAN. Why were you discussing it if it did not make any difference?

Mr. BABST. Because somebody had to pay the freight on the sugar moved. Ordinarily the seller pays the freight on his own commodities to market. In this case the Louisiana planters wanted us to pay the freight, and we finally agreed to pay all over 25 cents a hundred on it.

The CHAIRMAN. If it did not make any difference to you, why were you not just generous that day to these old customers of yours and say that you would pay it?

Mr. BABST. We were generous at a later date.

The CHAIRMAN. After Mr. Spreckels got into the game?

Mr. BABST. No, sir. Mr. Spreckels had nothing whatever to do with our increasing our price to the Louisiana planter from 6.22½ to 6.35, because at the time we increased that price the individual contracts with the planters had already been made.

The CHAIRMAN. All of them?

Mr. BABST. All of them, and entered into, and that increase did not take place until November 14, 1917.

The CHAIRMAN. We are getting a little away from the chronology, and I want to stick to it, because I want to get this in order. You had some discussion about the matter of freights on that same day. Then what took place?

Mr. BABST. The committee, after the discussions which were had at the Food Administration, came to my rooms at the New Willard Hotel that night.

The CHAIRMAN. How long was that after you had separated at the Hotel Gordon?

Mr. BABST. About two hours, I should judge.

The CHAIRMAN. So the Louisiana committee came to your rooms at the Willard Hotel that same night?

Mr. BABST. They did.

The CHAIRMAN. What took place there?

Mr. BABST. The details of the negotiations were very generally considered and attempts were started to settle various points which would enter into such a large transaction. How fully do you wish me to go into that?

The CHAIRMAN. How did you come to be settling details? Had you agreed, then, to take the sugar, which they agreed to sell to you?

Mr. BABST. I never considered there was any enforceable agreement or any contract as such made with the Louisiana planters in the city of Washington.

The CHAIRMAN. What did happen? They did come to your rooms and you had these discussions. Was there an understanding that you were to take this crop at this time?

Mr. BABST. There was no understanding about the crop.

The CHAIRMAN. What had been said about how much sugar you would take—100,000 tons, I think you said?

Mr. BABST. What was said was in the statement that I have already read.

The CHAIRMAN. That was in the statement. These gentlemen came down to see you. There was something said in some way or other about whether they were going to give you this sugar?

Mr. BABST. The transaction was discussed all that night and all of the next day and until 10 o'clock of that night. There was not five minutes of those hours when there was not discussion, but all of the discussions were reduced into the form of the two papers, and a third paper, which I shall obtain in a moment, which I have already handed to you and which I hand to you again.

The CHAIRMAN. Which is the first of these statements?

Mr. BABST. The third statement is here now.

The CHAIRMAN. What arrangement was made with reference to the amount of these sugars that it was proposed to give you?

Mr. BABST. The whole arrangement is contained in those three papers, and there would be no shorter way to get at it than to read the three papers.

The CHAIRMAN. Which would come in order first?

Mr. BABST. Shall I read them to you?

The CHAIRMAN. I would like to have you tell me which comes first.

Mr. BABST. Then I should read the letter of the Louisiana cane growers and raw-sugar producers of October 26, which went to all of the planters of Louisiana.

The CHAIRMAN. The one of October 26, which is signed by Mr. Pharr, Mr. Milling, and others?

Mr. BABST. Yes.

The CHAIRMAN. Let me read it, because in that way I will get its contents better. I see that it is addressed to "Dear sir." Who was the dear sir?

Mr. BABST. Every planter in the State.

The CHAIRMAN. Was it intended to be addressed to all the planters of Louisiana?

Mr. BABST. We stipulated that it should be so addressed.

The CHAIRMAN. That letter is as follows [reading]:

EXHIBIT No. 51.

COMMITTEE REPRESENTING LOUISIANA CANE GROWERS AND RAW SUGAR PRODUCERS,
New Orleans, October 26, 1917.

DEAR SIR: The undersigned committee, representing the cane growers and raw-sugar producers of Louisiana, on October 22 and 23 appeared before Mr. Herbert Hoover, United States food administrator, and Mr. George M. Rolph, head of the sugar division of the United States Food Administration, and Hon. John M. Parker, food administrator of the State of Louisiana. Through the active cooperation of Mr. Parker with the United States food administrator, the latter has named 6.35 as a price for 96 per cent test raw sugar at New Orleans and seaboard refining points for the purpose of adjusting the prevailing price for raw sugar with that which will be in force by the arrival of the new Cuban crop. While acceptance of the price named involves some concession on our part, we deem that in view of other sugar prices which have been established we should patriotically meet the views of the food administrator.

As you know, all United States refiners are under voluntary contract with the food administrator to sell their refined product at not to exceed a maximum margin agreed upon, and rules and regulations have been promulgated by the

United States Food Administration placing the entire sugar industry under the control of the Government.

We deemed it, therefore, advisable to request the president of the American Sugar Refining Co. to meet us in Washington at that time, so that if a satisfactory price were named by the food administrator a contract of purchase and sale might be arranged without further delay. In response to this request Mr. Babst appeared and stated to the United States Food Administration that he would purchase Louisiana raw sugars at any price named by it, or at which he would be permitted to buy, which statement we believe made possible the final adjustment.

As a result of the negotiations we have secured from the American Sugar Refining Co. an offer to purchase at a price named 100,000 tons of Louisiana 96 per cent test raw sugar, 50,000 tons to be delivered in New Orleans and 50,000 tons to be delivered at northern refineries of the American Sugar Refining Co., on which amount sellers will pay 25 cents per 100 pounds toward the freight north. The opportunity to sell is to be available to all producers of Louisiana raw sugar, and all purchases are to be under the supervision of an allotment committee. This will yield a net price of 6.22½ cents on every pound of sugar delivered under this contract.

The committee urge the importance of early delivery as absolutely necessary in order to fit in with the ships secured through the assistance of the Federal Government.

If you desire to avail yourself of the opportunity of disposing of raw sugar produced by you for the season of 1917–18, you will please make your tender on the form inclosed, either direct to the American Sugar Refining Co., 132 North Peters Street, New Orleans, or to Mr. J. C. Le Bourgeois, chairman of the allotment committee, Hibernia Bank Building, New Orleans, La.

We strongly recommend its acceptance by you, notwithstanding any views you may have as to the conditions likely to prevail were the sugar market free from Government control and not under war conditions. We believe that the Louisiana sugar industry in this national crisis should meet the views of the United States Food Administration.

Yours, very truly,

R. E. MILLING, *Chairman*,
E. A. PHARR,
JOHN MARKS,
J. C. LE BOURGEOIS,
ULYSSES LANDRY,
Committee representing Louisiana Cane Growers and Raw Sugar Producers.

J. B. CHAFFE, *Secretary.*

Mr. BABST. In the same envelope went a letter from the American Sugar Refining Co., under the same date, October 26, 1917. Shall I read that?

The CHAIRMAN. You may read it.

Mr. BABST (reading):

EXHIBIT No. 52.

THE AMERICAN SUGAR REFINING CO.,
132 NORTH PETERS STREET,
New Orleans, La., October 26, 1917.

DEAR SIR: We inclose herewith a letter from a committee representing the cane growers and raw-sugar producers of Louisiana, stating the terms of purchase of 100,000 tons of 96 per cent test sugar from Louisiana planters.

The price stated is one named at a conference between Mr. Herbert Hoover, the United States food administrator; Mr. George M. Rolph, the head of the sugar division of the United States Food Administration; and Hon. John M. Parker, State food administrator of Louisiana.

As a Louisiana planter you have, by the conditions of our offer, the privilege of participating ratably.

A copy of a contract is herewith inclosed, showing the terms and conditions of sale which embody the trade regulations previously agreed upon between this company and the Austrian Cane Growers' Association.

If you desire to tender any sugar, please advise us upon the inclosed form on or before November 3, 1917, of the amount which you wish to sell. If the

tenders shall exceed 100,000 tons, the American Sugar Refining Co. is to have the option of purchasing on the same terms any surplus, such option to be exercised at once; otherwise offerings will be reduced pro rata, based upon tenders made, but no tender will be accepted for an amount in excess of the allotment committee's estimate of production.

The allotments will be made after November 3, 1917, by majority vote of an allotment committee, composed of Messrs. J. C. Le Bourgeois, Charles Godchaux, E. A. Rainold, E. A. Burguieres, and J. C. Pierson, and their allotments are to be final and binding upon all parties.

In designating the amount which you wish to tender please also state the number of tons of cane which you reasonably expect to grind and the total amount of expected production, in order to aid the allotment committee in making such allotments.

The privilege of participating in the offering is personal and not assignable and will terminate if not exercised on or before November 3, 1917, at 12 o'clock noon.

Should you make a tender by the time named, a contract for the amount allotted to you, similar in form to the one inclosed, will be sent you for prompt execution.

If you desire to participate in this offering and have shipments in transit or shipments which are made prior to apportionment of the tonnage by the allotment committee, such shipments will be accepted by the allotment committee as part of your tender.

Yours, respectfully,

THE AMERICAN SUGAR REFINING CO.,
JOHN MCFETRIDGE, *Superintendent.*

Mr. BABST. Accompany this letter which I have just read was the following tender. Following the tender is the contract, which is printed on the back of the tender:

EXHIBIT No. 53.

TENDER.

————, LA.,
————, *1917.*

THE AMERICAN SUGAR REFINING CO.,
New Orleans, La.:

We hereby tender and offer for sale to you ——— tons of 2,000 pounds each of 96 per cent test sugar, to be made on ——— plantation, Louisiana, crop season of 1917–18, at a price and on the terms and conditions set forth in the annexed form of contract.

This tender shall be binding for any part of said amount of ——— tons which shall be allotted to us by Messrs. J. C. Le Bourgeois, Charles Godchaux E. A. Rainold, E. A. Burguieres, and J. C. Pierson, in accordance with your letter to us dated October 26, 1917.

We agree to execute a contract with you for the sale of said amount of sugar or such part thereof as may be allotted to us for the price and on the terms and conditions set forth in said annexed form of contract.

We reasonably expect to grind ——— tons of cane in said crop season of 1917–18, and estimate our probable total production of sugar at ——— tons of 2,000 pounds each.

Louisiana raw-sugar contract.

Parties: This agreement, made _____ 1917, between _____ party of the first part, hereinafter called the seller, and the American Sugar Refining Co., a New Jersey corporation, party of the second part, hereinafter called the buyer, witnesseth:

First. Agreement for sale: The seller bargains and sells and agrees to deliver to the buyer, and the buyer agrees to purchase and receive for the price and upon the conditions hereinafter named, _____ tons of saw sugar, to be made in the season 1917–18 at _____ factory, Louisiana.

Second. Delivery: The buyer agrees to accept the amount of sugar herein consigned to it at Chalmette, La., unless it otherwise directs, either by water or by rail, at seller's option, for delivery to the buyer at New Orleans.

Chalmette, Refinery, or on docks at Algiers or Gretna, La., as elected by the buyer.

Third. Routing: The buyer shall have the right to direct the routing of the sugar hereby purchased from plantation to any one of buyer's northern refineries, or other destination, all rail, or by rail and water, in which event buyer shall be allowed the freight equivalent from plantation to New Orleans, in addition to the payment for freight stated in paragraph 7.

Fourth. Shipments: Shipments are to be made promptly and as fast as the sugar is made, in the following periods and proportions:

To November 15, 25 per cent or, at seller's option, more.

November 15 to 30 30 per cent or, at seller's option, more.

December 1 to December 15 30 per cent or, at seller's option, more.

December 15 to January 1 any balance due under this contract.

Fifth. Sampling and testing: All sugars shall be sampled in the usual manner by the buyer and seller; six sealed bottles shall be put up jointly; the samples shall be tested by chemists representing buyer and seller, and the average test taken for settlement unless the said tests differ over three-tenths of a degree, in which event a retest shall be made by both chemists. Should the difference of over three-tenths reappear, a sample shall be tested by a third chemist, to be agreed upon by the parties hereto, and the average of the two nearest of these three tests shall govern. (Testing to be made in a temperature as near as possible 68½° F.)

In the event that the buyer exercises its option to ship from plantation to a northern refinery, unless otherwise agreed, the weighing shall be done at plantation by a public weigher, and the sampling and testing, at the option of the buyer, shall be done at its expense, either at plantation or at New Orleans.

Sixth. Delivery date: Delivery for sugar in cars shall be the day of arrival, as shown by the railroad records, within the New Orleans switching district. This district is defined as follows:

Shipments via Southern Pacific Lines, Illinois Central Railroad, Yazoo & Mississippi Valley Railroad, New Orleans, Texas & Mexico Railway—Hardman, La.

Shipments via Louisiana Railway & Navigation Co.—Shrewsbury, La.

Shipments via Texas & Pacific Railway Co.—Gouldsboro, La.

Shipments via New Orleans, Southern & Grand Isle Railway—Algiers, La.

Shipments via Southern Pacific Lines diverted to Algiers docks prior to arrival at Harrahan—Algiers, La.

Delivery for sugar delivered by barge or boat shall be the arrival alongside the buyer's wharf at Chalmette, or at docks at Algiers, as buyer directs.

Delivery for shipments made direct to a northern refinery shall be considered as five days from the date of shipment as shown by the bill of lading.

Seventh. The buyer agrees to pay to the seller $6.35 per 100 pounds, basis 96° test. The seller agrees that on a tonnage equal to one-half the sugar sold he will pay to the buyer 25 cents per 100 pounds, said latter payment to cover the cost of transportation by the buyer of a like amount of sugar shipped to northern refineries.

Eighth. Deductions and additions: Settlement on each shipment to be made on the final test, with the allowance of 0.05 cents per pound for each degree above the selling basis up to 98° and 0.09 per pound down for each degree below the selling basis down to 94°, fractions in proportion. Any marks below 94° test, 0.11 cents per pound per degree down.

Ninth. Tare: It is agreed that the tare for a regular 29 by 48 inch bag shall be 2.70 pounds per bag, unless found otherwise in accordance with the rules of the Louisiana Sugar Exchange.

Tenth. Date of payment: The buyer agrees to pay the seller on pro forma invoice for 90 per cent of the value of the sugar five days after the delivery date. Balance to be paid after final determination of weights and tests.

Eleventh. Quality of bags: The seller agrees that all sugars delivered shall be shipped in good, sound bags of standard quality; that under no circumstances will any sugar subject to this agreement be purposely delayed in shipment.

Twelfth. Ton: The word "ton" as used in this agreement means the short ton of 2,000 pounds.

Thirteenth. Arbitration: It is further understood that all matters of disagreement arising under this contract which can not be adjusted by the parties hereto to their mutual satisfaction shall be left to arbitration. Each party shall select one impartial arbitrator, and the two so selected shall select a third,

and the decision of any two of said arbitrators shall be final and conclusive upon the parties hereto. Any expense attached to such arbitration shall be divided equally between the parties.

In witness whereof the party of the first part has hereto affixed his signature and the party of the second part has caused its corporate name to be signed by its proper officer thereunto duly authorized the day and year first above written.

———— ————,
Seller.

THE AMERICAN SUGAR REFINING CO.

By ———— ————.

Executed in duplicate.

The CHAIRMAN. And the form of contract is printed with that!

Mr. BABST. It is. It was a form to be executed later on, if they desired to tender anything.

The CHAIRMAN. Those papers constitute what you claim—whatever there was in the nature of a contract?

Mr. BABST. We have spoken of it exactly in that form, except in a very loose sense. It was not a contract, it was an offer to buy in the event they made a tender of their sugar at some later date.

The CHAIRMAN. This arrangement was made with the representatives of the Louisiana planters, who were here, and under this you expected to get 100,000 tons of that sugar?

Mr. BABST. Under which we hoped to get all they would tender to us, in exactly the same manner and the same method we had used in previous years, and especially last year.

The CHAIRMAN. I did not ask you that—"in exactly the same manner and the same method."

Mr. BABST. I am trying to help you, Mr. Chairman.

The CHAIRMAN. No; you do not help me at all. You hinder when you go into side issues which I do not want to discuss.

Mr. BABST. We are getting along so well to-day, Senator Reed, that I hope nothing unpleasant may occur.

The CHAIRMAN. You spoke of having arranged for tonnage. Had you arranged for tonnage to get this raw sugar up to your refineries?

Mr. BABST. Our company had arranged some weeks previously for tonnage to move as much Louisiana sugar as we ordinarily expect to receive at this period of the year, and as we ordinarily move to our northern refineries, especially to the Boston refinery. The arrangement of this tonnage was purely an undertaking of a private nature. The Government knew nothing about, and had no relation to it or connection with it. After it was arranged, and they knew of it in the public announcements which were made, some one in the Food Administration merely put a feather in his own cap by speaking of it as if it had been their arrangement.

The CHAIRMAN. I am reading now from the American Sugar Refinery Co.'s pamphlet which you have just handed to us:

> We, as a company, have had for weeks a tonnage under option to move this Louisiana sugar, and we are prepared with the cargo vessels to move the sugar North, providing, of course, we have the support of the Government, as we look forward to having it, in the event that a price can be agreed upon between Louisiana and the Government, which would keep those particular vessels which we have under charter in the coastwise trade.

That is what you said.

Mr. BABST. Because all those vessels were under notice of requisition from the Government.

The CHAIRMAN. But you were able to keep them open for this business.

Mr. BABST. We could not move the sugars unless we had the tonnage.

The CHAIRMAN. You were able to do it, were you not?

Mr. BABST. We did move——

The CHAIRMAN. You were able to do it, were you not? You did keep the vessels open, or the Government did? Can you not answer that? Did they keep the vessels open?

Mr. BABST. I am going to tell you what happened. We did move and have moved four cargoes of Louisiana sugar, amounting to 18,719 tons, from New Orleans to Philadelphia and Boston, three of these cargoes going to Boston and one to Philadelphia.

The CHAIRMAN. You did make the statement which I read to you about having arranged for the tonnage, that you hoped or expected the Government would keep these particular vessels, or which you had under charter in the coastwise trade, so that you could move the sugar. That was done, was it not?

Mr. BABST. The Government has not requisitioned any of the vessels which we had under charter option. Whether they have requisitioned other vessels I do not know.

The CHAIRMAN. I did not ask you about other vessels. What talks did you have with the Government officials about these vessels?

Mr. BABST. I want to look at my other answer. I will ask the reporter to read my answer.

(The stenographer thereupon read the answer of the witness, as follows:)

The Government has not requisitioned any of the vessels which we had under charter option Whether they have requisitioned other vessels I do not know.

The CHAIRMAN. What talk did you have with Government officials or any of them with regard to those vessels which were transporting your sugars?

Mr. BABST. Personally I had no talks.

The CHAIRMAN. Did your company or any representative of it?

Mr. BABST. They may or may not.

The CHAIRMAN. You do not know?

Mr. BABST. I do not know, but I shall learn, if you desire.

The CHAIRMAN. You did not take any steps at all to see the vessels would be there which you had promised these planters would be there?

Mr. BABST. I personally did not, so far as the Government was concerned——

The CHAIRMAN. You did not send anybody from your company to do it, and you do not know that your company ever did do it?

Mr. BABST. I did not. I did not even know we had the vessels under charter until we were invited to Washington, and then I found, as ought always to be the case, that our organization had done the proper thing and anticipated the want, knowing that there was the demand.

The CHAIRMAN. You afterwards secured how much of these Louisiana sugars? About 26,000 tons?

Mr. BABST. I have given several figures on the Louisiana, and I now would like to give an accurate figure, so that always may be used. Up to date——

The CHAIRMAN. Give it up to a certain date; it is not very material.

Mr. BABST. Under the tender of——

The CHAIRMAN. I ask you how much you have received of sugars from Louisiana?

Mr. BABST. There was contracted for on November 6, under the tender, 25,999½ tons, which I have spoken of as 26,000 tons.

The CHAIRMAN. Have you received any sugar since then?

Mr. BABST. We have bought other Louisiana sugars in the market of Louisiana to the amount of 5,000 tons.

The CHAIRMAN. How much did you actually pay for these Louisiana sugars?

Mr. BABST. We actually paid 6.35 for all purchased.

The CHAIRMAN. How did you come to raise the price above the amount stipulated?

Mr. BABST. I would like to hand the chairman a printed folder, which contains a record of the entire negotiation on these sugars subsequent to the Washington conference.

The CHAIRMAN. Can you not answer how you came to do it—to raise the price? Can you not tell us that in a few words?

Mr. BABST. We voluntarily, on the 14th of November, raised the price of all sugars which we had taken under contract previously on the 6th of November, from the 6.225 to 6.35, by reason of a ruling made by the Food Administration, or other action of the Food Administration, permitting the freight on the part shipped from New Orleans to the northern ports to be added to the price of 6.35, arrived at before the Washington conference.

The CHAIRMAN. Did not the fact that Mr. Spreckels had made an offer at a higher price for that sugar have anything to do with it?

Mr. BABST. It did not.

The CHAIRMAN. Nothing whatever? It was purely voluntary?

Mr. BABST. It did not. Other refiners in Louisiana—namely, the Colonial Refinery and the Henderson Refinery— had bought or were reported to have bought, on October 30 and prior to the contracts we entered into on November 6, as much as 25,000 tons of raw sugar, paying for it 6.35.

The CHAIRMAN. So that prior to the time that you had made these contracts with these gentlemen who came here to Washington they had actually been able to sell their sugar at a higher price in the open market?

Mr. BABST. They had, in large quantities. I do not mean the open market. Will the stenographer read the question?

The CHAIRMAN. Well, on such market as existed?

Mr. BABST. On the terms which had been arrived at between the Louisiana planters and the food administration for Louisiana raw sugar.

The CHAIRMAN. When you got them up here, or when they came up here, and you modestly retired from the room, a lower price was fixed than they had been receiving before that date?

Mr. BABST. The date I mentioned was October 30 of the reported sales, 25,000 tons, to the Colonial Refinery and the Henderson Refinery, and the time of the Washington conference when the price was determined between Louisiana and the Government was October 23, or a week previous.

The CHAIRMAN. Then, notwithstanding the option which you had, the cane sugar men down there did not stand for it, but they went out and sold to others at a higher price?

Mr. BABST. They were at perfect liberty to do so. The price which had been determined upon in Washington between the Louisiana planters and the Government was 6.35 f. o. b. refining points.

The CHAIRMAN. Yes.

Mr. BABST. So that the Gulf refiners were able to buy and take the sugar at 6.35, New Orleans, which they did.

The CHAIRMAN. Now, Mr. Babst, as a matter of fact, the Louisiana people, the Louisiana producers, to a very large extent declined to turn their sugars in at these prices and began to evolve a plan of marketing their own sugars; is not that true?

Mr. BABST. They did not offer more than the 26,000 tons, and they did take many steps in the matter; yes.

The CHAIRMAN. As a matter of fact, in ordinary years when there has been no interference with the law of supply and demand, how does the sugar crop of Louisiana reach the market? How has it reached it in years past? Has it come in promptly after the harvest and has it gone to the refineries, or how has it been distributed?

Mr. BABST. I have knowledge of three Louisiana crops and the three negotiations with the Louisiana producers for their crops. The crop of 1915 was a very short crop.

Senator KENYON. Can you not tell us how this reached the market, without going into all these minutiæ? We will never be through with this hearing at this rate.

Mr. BABST. I realize that, Senator Kenyon.

The CHAIRMAN. Mr. Babst, you certainly could say if it is a fact that ordinarily the sugar reaches the market shortly after the harvest and is generally taken by the refiners promptly and refined. Now, is not that about the size of the situation?

Mr. BABST. Not entirely; no.

The CHAIRMAN. Is there a qualification you want to make?

Mr. BABST. There are a great many. That is the reason I answered as I did.

The CHAIRMAN. Does not the bulk of the sugar, after it has been harvested and handled on the plantation, reach the markets promptly?

Mr. BABST. The raw sugar?

The CHAIRMAN. Yes.

Mr. BABST. After it is produced the raw sugar is ordinarily, in the absence of special contracts such as the one referred to, offered on the New Orleans market and is purchased in open market by the various refiners.

The CHAIRMAN. And does it not ordinarily, regardless of contracts, reach the refiners and there be refined pretty promptly after the harvest?

Mr. BABST. Fairly promptly. There is a special effort to do so.

The CHAIRMAN. The greater part of it will reach the refiners how many days after the cutting is completed—the bulk of the crop?

Mr. BABST. Shortly after the middle of January the bulk of the crop is gone. Shortly after the 1st of January the bulk of the raw

sugar is off of the plantations, and when those sugars reach the refineries they are either refined and kept in that form or they are stored in the warehouses ready for refining. So far as we are concerned, we refine them promptly, taking a large part of them always to our Atlantic coast refineries in order to facilitate the prompt marketing of the product.

The CHAIRMAN. What you do the other refiners do; that is, I mean——

Mr. BABST. Generally; yes, sir.

The CHAIRMAN. So that the sugars under ordinary conditions are in the market shortly after the 1st of January; the bulk of the whole Louisiana sugar crop under ordinary conditions has reached the refiners and has been refined and part of it is ready for distribution by the refiners to the trade?

Mr. BABST. Well, that is an inaccurate description; but it may pass, in a general sense.

The CHAIRMAN. What I am trying to get is a general statement of it. This year, for some reason, either because of dissatisfaction with the price or for some other reason, the Louisiana sugar planters, with a crop of 226,000 tons—am I accurate in 226,000 tons?

Mr. BABST. Fairly accurate; yes.

The CHAIRMAN. Louisiana has only marketed through your company approximately 26,000 tons, and through some other companies approximately 25,000 tons?

Mr. BABST. That is true, so far as the marketing of raw sugars is concerned.

The CHAIRMAN. Now, you speak about the marketing of raw sugars. What else is there—sirups?

Mr. BABST. There are sirups and there are various grades of plantation sugars, knows as yellow clarified, grocery grades, plantation grades, and so forth.

The CHAIRMAN. Are those sold to you, or are those in ordinary times, I mean, sold to the refiners or are they——

Mr. BABST. They are very seldom sold to the refiners, but they are generally sold by the planters and Louisiana merchants and brokers to the trade throughout the country.

The CHAIRMAN. How much do those sugars and the part that is consumed in sirups amount to? How much does it leave, net, when you take those two items out, of sugars that ordinarily used to reach the trade and get to the consumers in the way we speak of?

Mr. BABST. There are many factors surrounding that situation——

The CHAIRMAN. Oh, no.

Mr. BABST (continuing). But some years it is 35 per cent and some years it is 50 per cent, and so on. This year there has been the smallest quantity of raw sugars produced in many years.

The CHAIRMAN. I asked you, in ordinary years what proportion of the sugars was sent to the refineries and what proportion of it was consumed in sirups and in these washed sugars? Is it about fifty-fifty?

Mr. BABST. Read my last answer. I think I have made as good an answer as I can.

Senator KENYON. Can you not answer quicker than the stenographer can read it?

Mr. BABST. The percentages vary from crop to crop. The percentage varies from 75 to 50 and 60 per cent. I have not accurate information.

The CHAIRMAN. This year the Louisiana crop was about an average crop, was it not?

Mr. BABST. No; it was below.

The CHAIRMAN. How much below?

Mr. CHRISTIAN. It was 67 per cent of the average crop.

The CHAIRMAN. I am told it was about 67 per cent.

Mr. CHRISTIAN. That is the Department of Agriculture report.

Mr. BABST. I do not know about that. Last year the crop was 257,000 tons and this year it is 226,000 tons. It is under the ordinary average.

Senator JONES. That 226,000 tons is estimated?

Mr. BABST. Yes; whatever is now made is estimated.

The CHAIRMAN. If 56 per cent of this sugar had come into the market in the ordinary way, there should have come to the cane mills by this time approximately 113,000 tons?

Mr. BABST. Exactly; but that all depends upon conditions varying from year to year. The Louisiana planter sells his sugar, makes one grade or another, depending upon the market conditions, and that for which he can get the better price.

The CHAIRMAN. I know. I am not criticizing you or anybody else. I am trying to get at the facts.

Mr. BABST. There are other men here in the room who know a great deal more about those facts than I do.

The CHAIRMAN. Fifty to 75 per cent of this 226,000-ton crop would ordinarily have been in the sugar refineries by this time, and some part of it would have reached the market; that is true, is it not, under ordinary conditions?

Mr. BABST. Do you mean raw, or the grocery grades and sirups?

The CHAIRMAN. I mean the sugar which would come to you to be refined.

Mr. BABST. Ordinarily the raw sugar to the extent of at least 50 per cent or more would be in our refineries by this time.

The CHAIRMAN. Yes.

Mr. BABST. In fact, we have received of this year's crop the larger part of it already. I think the larger part of our contract of 26,000 tons has been received.

The CHAIRMAN. Oh, yes; I am not speaking of that. I am speaking about the general conditions. So that this year, under food regulations and under these contracts and deals that have been made, instead of there being approximately 113,000 tons of sugar in the refineries partly refined and ready for distribution in part, there is only about 50,000 tons which has found its way to that particular kind of market—that is, to the refiners?

Mr. BABST. The refiners have had the smallest share of the Louisiana crop for years.

The CHAIRMAN. And either the planter is holding back his sugar, or the planter is resorting to some process of production of brown sugar or washed sugar which he is himself putting on the market?

Mr. BABST. The planter has made the largest part of his crop into sugars for direct consumption?

The CHAIRMAN. Yes; that naturally would produce, or have something to do with, an interference with the sugar supply that ordinarily reaches the Atlantic States, would it not? Let me put it another way, Mr. Babst, so that you will catch my point.

I take it that these sugar refineries being very large concerns and highly organized, they know exactly where the sugar is needed in the country and they have their means of distribution, their organization, and their customers, and consequently, through that means, when sugar is demanded, they get it to the ultimate consumer pretty quickly, do they not?

Mr. BABST. We are the best distributors for consumption sugars.

The CHAIRMAN. Now, if the individual planter undertakes to market his own sugars they would be likely to be some considerable time finding their way to these remote markets, would they not?

Mr. BABST. That, of course, depends upon freight conditions and car conditions and systems of transportation; but I should say that the sugars which we would take out of Louisiana and ship and take to New England, under the present freight conditions of this country would find their natural distributive market far quicker than by any other method that you could employ.

The CHAIRMAN. That would be true in the ordinary year, would it not?

Mr. BABST. That is the course we have always followed so far as our handling of Louisiana sugars is concerned.

The CHAIRMAN. Well, I will not press for an answer further.

To what extent has your company—and I mean by that your company and all its subsidiaries and allies and controlled companies——

Mr. BABST. Mr. Chairman, will you not change your question in order to avoid the characterization you give?

The CHAIRMAN. When I speak of the American Sugar Refining Co. and of your company, I mean those companies which you have stated.

Mr. BABST. Which are the American Sugar Refining Co. and its subsidiary combinations, all operated as one company.

The CHAIRMAN. Yes; and those companies in which you hold stocks.

Mr. BABST. That I can not accept.

The CHAIRMAN. To what extent do they manufacture—I think perhaps you can answer this—to what extent do they manufacture—have they manufactured and sold—since October 1, Domino sugars?

Mr. BABST. I can answer that question with a very long delay, but I can give you what you want in another way which will be even more satisfactory to you.

Senator KENYON. Never mind delay.

The CHAIRMAN. Have you not got those data so that you can answer?

Mr. BABST. Our Crystal Domino tablet sugars are what you refer to?

The CHAIRMAN. Yes.

Mr. BABST. They amount to one two-hundredth part of our total business, or one six-hundredth part of the total business of the United States sugars.

The CHAIRMAN. I did not ask you what percentage it was. Will you not tell us how much it was in point of tons?

Mr. BABST. That means details and investigation. I have not any such facts here at all.

Senator VARDAMAN. Can you give the amount in dollars and cents, Mr. Babst?

Mr. BABST. No, sir.

The CHAIRMAN. That simply involves going back and figuring out how much one six-hundredth part is.

Mr. BABST. I have accurate figures for the quarter ending September 29, 1917.

The CHAIRMAN. I am not asking you about the quarter ending September 29. I am asking what you sold since October 1.

Mr. BABST. I would have to look that up.

Senator KENYON. Have you any idea about it at all?

Mr. BABST. I am giving you an idea, comparing our Crystal Domino tablets with our volume as it comes along, from month to month, and it amounts to one two-hundredth part of our volume.

The CHAIRMAN. That does not get us anywhere, if we do not know what the volume is.

Mr. BABST. I can tell you what the volume is.

The CHAIRMAN. If you know what the volume is, you can figure it out.

Mr. BABST. Yes; I will, Mr. Chairman.

The suggestion is that we take our total volume of this year and tell you how much, approximately, we have put into Crystal Domino tablets.

The CHAIRMAN. No.

Senator LODGE. That will give us the amount.

The CHAIRMAN. That will give us the amount for the year, but it will not give us the amount that he sold since October 1.

Mr. BABST. But we would have to go to New York for the amount sold since October 1. That we would have to go to New York for. I know what representative part of our business Crystal Domino tablets is. It is one two-hundredth part.

The CHAIRMAN. Yes; but that does not help this committee a bit, because we do not know what one two-hundredth part is a two-hundredth part of.

Mr. BABST. I can give you that figure.

The CHAIRMAN. Can you give us your sales from October 1?

Senator KENYON. Is it 25 per cent of your business?

Mr. BABST. Oh, no. Our total business in refined sugar from October 1 to December 15, 1917, is 51,812 tons manufactured into all grades of sugar, of which I estimate, applying the usual factor of proportion of Crystal Domino tablets to the whole, that we have put into Crystal Domino tablet sugar 259 tons, or one two-hundredth part of our business.

The CHAIRMAN. At what price have you marketed that sugar?

Mr. BABST. At the present time our list price for fine granulated sugar in barrels——

The CHAIRMAN. Oh, no; no.

Mr. BABST. I am trying to answer your question.

The CHAIRMAN. I asked you the prices at which you had sold this Crystal Domino sugar, this 259 tons.

Mr. BABST. That means investigating all price changes. I can answer your question in this way: Your question will necessitate investigating price changes as well.

Senator VARDAMAN. The average price.

The CHAIRMAN. How could I get at it——

Mr. BABST. I can help you, if you will permit me.

Senator VARDAMAN. What is the average price at which you have sold?

The CHAIRMAN. All that I want to know is the ultimate fact—what you sold that sugar for. Now, if you have got some process by which you can get it, you work out the process and give it to me.

Mr. BABST. At the present time our basing price for all our sugars is 8.15, which is 20 points below all other refiners at the present moment.

The CHAIRMAN. I did not ask you that. I asked you at what prices you had sold this 259 tons of sugar between the 1st day of October and December 15.

Mr. BABST. On this basing price of 8.15 for Crystal Domino tablets, both full size and half size, in 2-pound and 4-pound cartons, we add what is known as a differential of 3 cents a pound——

The CHAIRMAN. That still is not an answer. What did you sell this sugar for?

Mr. BABST (continuing). Bringing the price at the present time to 11.15 cents a pound.

The CHAIRMAN. I did not ask you the price at the present time. I did not ask you what your differential was. I do not care anything about it. I want to know what you actually did sell this 259 tons of Crystal Domino sugar for?

Senator LODGE. He has just stated that—11.15 cents a pound.

The CHAIRMAN. Oh, no; he said the present price. His answer is very technical, and is limited to a point——

Mr. BABST. It is not technical enough, because there should be taken from that a 2 per cent cash discount in order to arrive——

The CHAIRMAN. Do you say now that you have not gone above that 3 cents a pound additional during the period referred to, from October 1 to December 15?

Mr. BABST. We have not in Crystal Domino tablets in 2-pound and 4-pound cartons. We have put out—this is what you are getting to—another tablet sugar of a special and different size, which we wrap and sell by the thousand services on a different basis.

The CHAIRMAN. Now, let us get to this: Then, you say that the highest price you have charged for the Crystal Domino sugar since October 1 and up to December 15 has been 11.15 cents per pound?

Mr. BABST. I did not state that.

The CHAIRMAN. I am asking you to state what is the highest price you have charged.

Mr. BABST. That involves an investigation of our price lists, but it can be done and will be done. All our price lists are on file with the Food Administration, but I can bring them here or send for them to New York.

Senator VARDAMAN. Mr. Babst, you spoke of that special brand of sugar which you wrap.

Mr. BABST. This wrapped tablet service?

Senator VARDAMAN. What is the highest price that you have charged for that?

Mr. BABST. We put out this special size Crystal Domino tablet sugar, which is known as our wrapped Domino tablet sugar, selling them at the present time at $2 per thousand services in 100,000 lots.

Senator VARDAMAN. What do you mean by "services"?

Senator KENYON. How much is that in pounds?

Mr. BABST. I should like to give you quite a full statement on this subject, if you will permit me.

The CHAIRMAN. All right; go ahead.

Mr. BABST. Will you permit me to make a full statement?

The CHAIRMAN. Go ahead.

Mr. BABST. This Domino tablet sugar is individually wrapped, and is put out bearing the monogram of some hotel or club or railroad or other special service at $2 per thousand services, or $2 for 1,000 of these wrapped tablets, a salesman's sample of which I have here in my hand, containing eight of these tablets.

Senator VARDAMAN. How much do they weigh?

Mr. BABST. The $2 per thousand can be better expressed by saying they are sold at the rate of five for a penny. If these wrapped tablets had their wrappings taken off and were put into a scale and weighed and sold at the same price, it would be at an approximate gross price of 16 cents a pound.

Senator VARDAMAN. Let me see it.

(The sample referred to was handed to Senator Vardaman.)

Mr. BABST. Our price unwrapped would be 11 cents a pound, and our cost of wrapping as a manufacturing operation, including the cost of paper and printing, is 3 cents a pound, bringing the total cost of these tablets when put on a pound basis to 14 cents a pound gross manufacturing cost, to which should be added the cost of distribution and selling. Our sales of these Domino wrapped tablets——

The CHAIRMAN. Oh, wait, wait, wait.

Senator LODGE. I should like to have him finish.

The CHAIRMAN. Do you want him to finish that? Very well; proceed.

Mr. BABST. Our sales of these Domino wrapped tablets for the year 1917, up to December 1, 1917, were 1,966 barrels out of total sales of 6,183,000 barrels, or three ten-thousandths part of the total volume of the American Sugar Refining Co.'s output, or one ten-thousandth part of the total volume of the entire United States sugar business.

The CHAIRMAN. You were asked a very simple question.

Mr. BABST. And you said I might go on and tell you all of it, as I understood.

The CHAIRMAN. Go on. I am not going to argue it.

Senator JONES. Mr. Chairman, quite a strong imputation was brought out against Mr. Babst's company on account of those special sugars by Mr. Spreckels, and I want to know what it amounts to. Mr. Spreckels tried to make it appear here that there was an enormous profit, that they were evading this whole price-fixing scheme by issuing these special sugars. I have made some figures here, and I should like to know if they are correct, on that 259 tons of granulated sugar.

Mr. BABST. Crystal Domino tablet sugar.

Senator JONES. Crystal Domino tablet sugar. That would be 518,000 pounds, and at 3 cents—you say that was your differential——

Mr. BABST. Yes.

Senator JONES (continuing). It would make a difference in the price of $15,540 on your sales of that quantity of that sugar.

The CHAIRMAN. Is that all?

Senator JONES. That is all it amounts to.

Mr. BABST. I should think that was a high figure, because I have the accurate figures of the company for the quarter ending September 29, 1917, which I should like very much to give you accurately, on every grade of package sugar, if you are interested.

Senator JONES. On that one ten-thousandth part of your volume of business there, how much of an increase in price is there, roughly speaking, above the granulated price? Would it be 3 cents or 5 cents or what per pound?

Mr. BABST. To answer your question very literally—although I see your question is not accurately framed—our selling price is approximately 5 cents above our selling price of the same sugar unwrapped. We figure that it costs us approximately over 3 cents a pound to wrap these individual tablets.

Senator JONES. I understand. That makes about 5 cents a pound extra for the sugar, which you use up in sales and advertising, additional expenses, and so on. But even counting the whole 5 cents as profit, what will it amount to on the amount of your sales there? Counting the whole thing as profit, what does it amount to?

Mr. BABST. Of course it is a loss. This sugar costs us more to put out than we get back for it. We merely put it out as a piece of high-class advertising in order to get our brands into clubs, hotels, dining cars, and other places of that kind. That is the sole purpose and object of our going into it.

Senator JONES. Well, then, there is no need to go further. Instead of making an additional profit on that kind of sugar, then, you make a loss, do you?

Mr. BABST. Exactly.

The CHAIRMAN. Just a moment there, if Senator Jones is through. How much would it figure at the 5 cents extra?

Mr. BABST. I should like also to make a statement about old-fashioned brown when we get to that.

The CHAIRMAN. I am not ready to brush this aside as inconsequential just at that point. There is practically 2,000 barrels of it here. How much does that weigh?

Mr. BABST. I will figure it out, Senator Reed. I find I have made a mistake. I have made this too large, Mr. Chairman. [To the reporter:] Will you read my answer where I spoke of the number of barrels which we have put in?

The CHAIRMAN. You said 1,966 barrels.

Mr. BABST. But I want to know what period I gave it for.

(The stenographer thereupon read the answer of the witness, as follows:)

Our sales of these Domino wrapped tablets for the year 1917, up to December 1, 1917, were 1,966 barrels out of total sales of 6,183,000 barrels.

Mr. BABST. That is right. I stated it properly.

The CHAIRMAN. That is for the whole year, then?

Mr. BABST. That is for the whole year; yes.

The CHAIRMAN. Well, if you have only got it for the whole year, it is immaterial if that is all you sold during the year, because it would be so small an amount during the part of the year covered by this agreement that it would not amount to much.

Mr. BABST. From the 1st of January, 1917, to December 1, 1917, it amounts to 1,966 barrels out of 6,183,000 barrels.

The CHAIRMAN. What did that weigh?

Mr. BABST. I will figure the pounds. I am just making the calculation now. It amounts to 688,100 pounds.

The CHAIRMAN. At 4 cents a pound, you would realize a profit out of that of——

Mr. BABST. We realized no profit out of it.

The CHAIRMAN. Well, you would get an additional price over the other price of how much?

Mr. BABST. Which we spend in manufacturing it.

The CHAIRMAN. And get back in advertising, as you said a minute ago.

Mr. BABST. And we hope to get our loss back.

The CHAIRMAN. What would be the difference in cents between that and the basic price of granulated sugar at 8.15?

Mr. BABST. You asked me to figure it out at the 4 cents. I have done that. Do you wish that answer?

The CHAIRMAN. I want the difference. You have stated that you sold this sugar for about 16 cents a pound, and the basic price of sugar was 8.15 cents.

Mr. BABST. For the whole year 1917 on this Domino wrapped tablet sugar we would receive $56,000 more than if we had put out that same sugar in pounds as granulated, and would pay out $42,000 in order to put it in its wrapped tablet form, leaving us $14,000 out of which to pay selling expenses, delivery, and other overhead and administrative expenses.

The CHAIRMAN. You pay selling expenses on your 8.15 sugar, do you not, and delivery expenses on your 8.15 sugar?

Mr. BABST. Naturally.

The CHAIRMAN. And on all the sugars you have; so why figure it out of this?

Mr. BABST. Because we lose money on every tablet of this wrapped sugar we put out.

The CHAIRMAN. And you do it just as a matter of favor to the public, or as a matter of advertising?

Mr. BABST. That is advertising. It is one of the little frills and niceties that every large manufacturing company feels that it can indulge itself in if it leads to increased volume of its business.

The CHAIRMAN. Exactly; so that you do not do it as an eleemosynary institution at all; you do it as a business concern?

Mr. BABST. And we do not do it as a thing out of which to make money.

Senator VARDAMAN. You do not do it as a thing out of which to make money except the incidental profits that come from the advertising? Is that what you mean?

Mr. BABST. Exactly.

The CHAIRMAN. What other kinds of Domino sugar have you put out—sugar under the brand of Domino?

Mr. BABST. We put out a Domino old-fashioned brown sugar of which the commitee already has an exhibit.

The CHAIRMAN. In what form? In the form of a package?

Mr. BABST. We put it out in the form of a package, in a 1-pound paraffine-paper-lined carton.

The CHAIRMAN. How much of that kind of sugar have you sold since October 1?

Mr. BABST. I am in the same difficulty as before, but I can give you another figure which is for even a longer period than you are asking for, namely, the period for the months of July, August, and September.

The CHAIRMAN. No; I want the period since this agreement was made. I do not care what you did before then.

Mr. BABST. But we have not brought our complete manufacturing records here. I have my ordinary sheets for that quarter, which is the ordinary way that I follow those matters.

Senator JONES. Generally speaking, have your sales of that grade of sugar increased or been especially pressed since that agreement was entered into?

Mr. BABST. Not at all. The whole matter is very insignificant. The volume of old-fashioned brown sugar as compared with our total volume——

The CHAIRMAN. Oh, I do not care for the total volume. Please give me the amount of Domino old-fashioned brown sugars that you have sold since October 1.

Mr. BABST. That I can not give, because that is a manufacturing record not here; but I can give you the sales for a longer period.

The CHAIRMAN. I do not care about the sale at some other time.

Mr. BABST. And it is so insignificant——

Senator LODGE. I should like to hear the volume for that quarter, just for my own information.

Mr. BABST. The quarter includes the months of July, August, and September. In those three months we sold 145,286 pounds of Domino old-fashioned brown sugar, or thirty-five-thousandths of 1 per cent of our total output for that same period, on which we made a gross manufacturing profit, from which should be deducted our selling expenses, delivery expenses, and administrative expenses in the ordinary way, but a gross manufacturing profit of $490.76. I have all the remaining figures relating to all of our other packages with me for the same quarter, and they will show, generally speaking, what every refiner in America knows, that the man who puts his sugar into packages is getting less for it in profits than if he put it into barrels.

Senator LODGE. What is the price, as compared with the 8.15 at which you sell it?

Mr. BABST. I am very glad to have this matter cleared up, as it has been the subject of much small talk. At the present time our basing price of granulated is 8.15, and we are selling Domino old-fashioned brown sugar in 1-pound cartons and containers at 8.65. The reason for this price being higher than granulated is the fact that it is put up in a 1-pound carton lined with paraffined paper; and

being a soft sugar containing a great deal of molasses, each one of these packages must be filled by hand, and in the process of weighing accurately it makes it an expensive manufacturing operation.

Senator LODGE. It is a low-grade test?

Mr. BABST. It is a No. 11 soft sugar.

Senator LODGE. I mean, what is the polariscope test?

Mr. BABST. It is probably less than a 90° test sugar; about a 90° test sugar, I should say.

Senator LODGE. I heard it stated that it was about 83 or 84.

Mr. BABST. I would not wish to contradict any refiner on this important Domino old-fashioned brown sugar, and I will give you an accurate polariscopic test if you desire.

Senator LODGE. Do you make it yourself?

Mr. BABST. We do. It is one of our regular grades of soft sugar.

The CHAIRMAN. Now, you continue to give us the figures for the three months preceding the time the contract was made—a time in which I am not interested. Can you give us and will you give us the figures from October 1 down to the present date, or approximately?

Mr. BABST. I will send them to the committee to be filed with my testimony.

The CHAIRMAN. And will you give us also the prices that you charged from day to day?

Mr. BABST. I will give you full data on the whole subject.

The CHAIRMAN. And is it not a fact that you have pushed these brown sugars, advertised them extensively, and these Domino sugars, since October 1, and had you not prior to that time had an extensive advertising campaign on these sugars?

Mr. BABST. We have advertised for years, but at no larger expense recently than formerly, all of our Domino trade-mark brands, including recently Domino old-fashioned brown sugar, and expect to do so, except to a much larger extent, in the future.

The CHAIRMAN. What other special brands of sugar do you make now?

Mr. BABST. We make generally about 60 different grades of sugar, and put out our sugar in several hundred different forms and packings, prepared both for the wholesale trade and going into the household and for manufacturing trade.

The CHAIRMAN. What brands do you make that are not made by other refiners?

Mr. BABST. If you will give me that exhibit you had the other day I can read off part of them to you. It is a long sheet, produced here by Turner Bros. We make more grades than any other refiner in the United States.

The CHAIRMAN. Could you get that list and tell us the grades from it?

Mr. BABST. The clerk has it. It was an exhibit. We undoubtedly make the largest variety of any sugar refiner in the world.

(The chairman asked for the exhibit referred to (Exhibit No. 36), and the statement was made that it was not in the room.)

Senator LODGE. It has gone into the record. That Turner exhibit has gone into the record.

Mr. BABST. That has gone into the record. We have nothing which shows the comparison of our grades with the grades of all

other refiners, which is the chairman's question; but there is no doubt at all that we make a larger variety than any other refiner. It is one of the things which contributes to the life of our business.

The CHAIRMAN. How much do you make of these special varieties that are not made by other refiners? What is the amount of your output of these varieties that are not made by other refiners?

Mr. BABST. Of course, I could not answer that until we could compare the grades; but we make more grades and put out more sugar in more different ways than any other refiner.

The CHAIRMAN. How long would it take you to give those figures?

Mr. BABST. That would be a very elaborate and extensive investigation. It means taking the grades made by every refiner in the United States and comparing them with the grades which we make and then——

The CHAIRMAN. Do you not know, without any comparison, when you have got grades of sugar, whether other refiners are making those grades or not?

Mr. BABST. All other refiners make granulated sugars and tablet sugars, and most other refiners make soft sugars. Mr. Spreckels does not make any soft sugars in his refinery. He is not equipped to make soft sugars.

Senator LODGE. Do they almost all make powdered sugar?

Mr. BABST. All make powdered sugar; all make confectioners' sugar. There are probably about 15 to 20 grades that are common to all refiners. Some refiners make a larger number still, but no refiner makes as many grades as the American Sugar Refining Co.

The CHAIRMAN. I am asking you now if you can not, by taking a list of sugars, very easily check off and determine what grades there are that you make exclusively. You know that as the president of this company, do you not?

Mr. BABST. As to grades, yes; that can be done, and I shall be very glad to do it.

The CHAIRMAN. Now, can you not tell me the amounts you have sold of each of those special grades from October 1, we will say, to December 15, and the prices for which you have sold them?

Mr. BABST. It can be done. I should like to give here and now the number of pounds and our gross profit and the per cent of each grade to the total business of all of these special grades for which you are asking for the quarter ending September 29, and referring to the months of July, August, and September.

Senator LODGE. Many of these different grades come within the granulated sugar price list?

Mr. BABST. They do; but the whole matter has been very much exaggerated, and is really small talk, for the reason that I have previously given, that every refiner in the United States knows, including Mr. Spreckels, that the refiner that puts his sugar in a barrel is today making a larger net profit out of it than if he puts it in a package.

The CHAIRMAN. Will you give us the figures I have called for?

Mr. BABST. I will give you anything and everything you desire to have which we have.

The CHAIRMAN. I have called for these figures embraced in my question and I desire them. I want to ask you if it is not true that

since October 1 your company has persistently insisted that customers desiring sugar, granulated sugar, shall take a part of their order in these other varieties of sugar that we have been discussing?

Mr. BABST. The other varieties being package sugar?

The CHAIRMAN. Package sugar.

Mr. BABST. Especially in 2-pound and 3½-pound cartons?

The CHAIRMAN. Yes.

Mr. BABST. Is that exactly what you want?

The CHAIRMAN. That is the question.

Mr. BABST. I wish to say that all refiners——

The CHAIRMAN. I did not ask you that.

Mr. BABST. All refiners put out sugar in package form, corresponding to different sizes of packages to the American Sugar Refining Co.

The CHAIRMAN. I did not ask you that.

Mr. BABST. I will give you the whole story. I am anxious to do so.

The CHAIRMAN. I know you are anxious to tell the whole story, but I am anxious to drive to a certain point. We want to get through with you. We like you, but we want to get through with you some time and go to somebody else.

Mr. BABST. There are many matters here which you must hear from me about, which you have been questioning me about:

The CHAIRMAN. We will hear from you very much more pleasantly if you will answer the questions. I ask you—and I must insist that you answer the question—whether you have insisted upon customers buying these package sugars, taking part of their orders in these package or special brands of sugar?

Mr. BABST. We have.

The CHAIRMAN. General instructions of that kind have been given to your agents? Is not that true?

Mr. BABST. We have done everything possible to put our sugars, especially granulated sugar, in 2 and 3½ pound cartons and cotton bags into the hands of the wholesale and retail trade.

The CHAIRMAN. In other words, if a wholesaler came to you wanting a certain quantity of granulated sugar in barrels or in 100-pound sacks, you would try to arrange it so that he would have to take a part of his order in these small packages?

Mr. BABST. We did so arrange it on every possible occasion, and the only regret I have is that I have not insisted it should be done in a larger percentage of cases than it was actually done.

The CHAIRMAN. When you sold granulated sugar in pound packages, at what price did you sell it since October 1?

Mr. BABST. We have not such a thing as a pound package of Domino granulated sugar, although several other refiners have. We have at Philadelphia one refinery which has put out a 1-pound carton of granulated sugar.

The CHAIRMAN. Very well. What have you been selling that at since October 1?

Mr. BABST. This is the only 1-pound carton that we have, and that is at Philadelphia, and we have been selling that at a gross differential of 50 cents a hundred pounds, or half a cent a package more than

if the same sugar were put in a barrel, and our gross profit on all of our sales of this particular package before we deduct delivery, selling, and administrative expenses for the months of July, August, and September was $123.69.

The CHAIRMAN. Then you made a good deal of effort without much result on that?

Mr. BABST. We made no effort to speak of on the 1-pound carton, but we have made a great deal of effort on the 2-pound and 3½-pound cartons.

The CHAIRMAN. Give us the same facts in regard to the 2 and the 3½ pound cartons and all of the other varieties of this package sugar.

Mr. BABST. I am not speaking entirely of the manufacturing profit per hundred pounds on carton and bag sugar.

The CHAIRMAN. I am not asking you for manufacturer's profit. I am not going into the question of the manufacturer's profit. I want to know how much of these sugars in these packages you put on the market and what the price was you charged for them. That is a very simple problem, and you can either answer it or you can not.

Mr. BABST. I can answer as to a great many of the details that you have asked, but not as to all. I can answer as to the three months of July, August, and September.

The CHAIRMAN. I do not want July, August, and September. I want October, November, and December.

Mr. BABST. I can not produce it, for the reason that I have already stated a number of times. I have not that information here.

The CHAIRMAN. That is the period of time when this sugar shortage was on, or approximately so, and that is what I am concerned in.

Senator JONES. Why did you press these package sugars?

Mr. BABST. We have pressed these package sugars for the simple reason that when we were under conditions quite similar to what occurred in the fall months, namely in the last half of February, and in the months of April of last year, which conditions in the sugar market are fully described in this report to our stockholders, we found we could succesfully prevent sugar hoarding by consumers, and gain a very wide distribution for our sugars in the wholesale and especially in the retail stores, by putting our sugars out in small cartons and bags of 2 and 3½ pounds.

The CHAIRMAN. How much did the price advance in these carton sugars from the basic price?

Mr. BABST. We have a fixed differential from the base price, just as we are permitted to have under the terms of the contract with the Food Administration. It amounted in various packages and bags, depending on their size, as follows——

The CHAIRMAN. Speaking now of prices since October 1.

Mr. BABST. Of course, I can not do anything since October 1. I can give you the differential since then.

Senator VARDAMAN. Can you tell the price now of these sugars?

Mr. BABST. I can exactly. Our basic price was 8.15 at New York, Boston, Philadelphia, to wholesalers. We have a differential of 40 cents a hundred pounds on 2, 3½, and 5 pound bags and cartons. We have a differential of 30 cents a hundred pounds on 10-pound cartons and bags, and a differential of 20 cents a hundred pounds on 25 and 50 pound cotton bags.

The CHAIRMAN. Can you tell us the amount of those sugars which you sold, the amount of each variety, since October 1, and if you can not tell it now, will you get us the figures, and send them here?

Mr. BABST. I can not tell you now, but I can get them and send them here.

The CHAIRMAN. And will you do so?

Mr. BABST. And I wish to state that this size packages are the regular size packages and bags which have been in the industry for many years. There has been no change.

Senator LODGE. Generally used by all refiners?

Mr. BABST. Exactly, and on the same differentials that I have mentioned. It is perfectly true, Senator Lodge, that we have made a special effort to send these small 2 and 3½ pound cartons out into the trade at this time in order to gain a wide distribution of those sugars. Rather than send a barrel of 350 pounds into a grocery store, we have been able to send a case of 120 pounds, so that we could get three cases of sugar, the equivalent of one barrel, to three grocery stores, whereas if you put it in barrels, it would go into one grocery store; and during these periods of great demand, when everybody wanted a little sugar, we have made every possible effort to put out our sugars in the smallest possible form of packages, so as to gain wide distribution. These sugars are sold by the retailers in large part at the same price as if they came out of a barrel and were put into a paper bag. I have here a tabulation of 6,125 retail stores in 25 States of this country for the week ending October 27, 1917, from which it appears that out of the 6,125 stores selling the domino granulated sugar 4,979 of them were selling their package sugar at the same price or lower than they were selling bulk sugar. In the State of Massachusetts there is a tabulation of 466 such stores, of which 356 were selling to the consumers at the same price or lower than they were selling the bulk, loose sugar out of the barrel.

Senator VARDAMAN. Why would they sell it at a lower price?

Mr. BABST. Because the retail grocer can afford to pay this differential which we put on these small-sized packages and sell the package, handle it, at the same price or at less than he can by the barrel, where he has to scoop it out of the barrel 350 times, if he is selling in 1-pound bags, where he has to weigh his sugar in the scoop on the scale, and where he has to take the sugar then and put it into a paper bag and tie it up with a string and pile it up. When he counts his time, his cost of paper bags, his string, and the loss which he has in the weighing; when he counts the loss of sugar in scooping it out, the dripping and the spillage, and sells his empty barrel, he finds more dollars in his pocket after he has sold 175 2-pound cartons, paying the differential of 40 cents a hundred, than when he buys a barrel of 350 pounds and makes the packages up in his own way by hand.

The CHAIRMAN. Is it not a little astonishing that with all these advantages and with all these grocery stores preferring that kind that you have to try to force this particular kind of sugar on the trade and make them take it during the sugar famine?

Mr. BABST. We have had at all times a very large business in this particular kind and character of package sugar. We did, however, make especial efforts at this time for the reasons given, and I know

of no more effective single step which we have taken to gain wid distribution for our sugars during the sugar shortage than the dis tribution of sugars in small packages.

The CHAIRMAN. When was your company licensed to do a jobber' business?

Mr. BABST. We need no license to do such a business, as far as w know, and we have no such license.

The CHAIRMAN. Did you not have a jobber's license from the Foo Administration, No. F2041?

Mr. BABST. We did not. The license number which you have give is the regular and only license which we have as a sugar refiner although I know there has been small talk of the character of whic you speak which has been spread out over this country.

The CHAIRMAN. Have you not a license as a jobber?

Mr. BABST. We have not, and we do not need any, so far as know.

The CHAIRMAN. Have you not been engaged in selling directly t the retail trade in New York City and doing it extensively?

Mr. BABST. We have always been engaged more or less in doin business with the retail trade in New York City and are becomin more and more extensively engaged in that business and expect t extend it as far as we possibly can in the metropolitan district o New York City.

The CHAIRMAN. You say this is small talk. I can not at th moment lay my hand upon the information, but in some one of the official publications of the sugar business the statement is made th you had a jobber's license. You say that you have not.

Mr. BABST. We have not; and the publication to which you refe I know very well, and it is unofficial, and it is unreliable.

The CHAIRMAN. You say you have not such a license?

Mr. BABST. We have not, and we have not asked for any and w do not need any.

The CHAIRMAN. There is just one other matter that I desire t refer to. Has the cost of sugar advanced greatly since the year 190 or has the increased cost of wages and expense been offset by im provements in machinery and organization?

Mr. BABST. Can you not bring it down within a period since have been connected with this industry?

The CHAIRMAN. If you can not answer that question, I shall with draw it.

Mr. BABST. I would like to say that the cost of refining has great increased since I have been related to this industry, and especiall during the last two years, and markedly in the last year. I have table here which shows the increases in the various supplies whic are indispensable to the refining, packing, and distributing of suga This table we published in our bulletin, known as the Americ Sugar Bulletin, on July 20, 1917, and it is entitled "A table showin relative increases of current market prices on June 15, 1917, ov those of January 1, 1916, and materials used by sugar refiners."

The CHAIRMAN. That was back only one year.

Mr. BABST. Yes.

The CHAIRMAN. That would not serve my purpose.

Mr. BABST. It would, however, be very illustrative of the increa in the cost to refiners in all of their operations.

The CHAIRMAN. You may file it with the committee. I have one thing further to ask you. Did you issue a bulletin to the American people asking them to observe candy day on October 7 or perhaps October 6?

Mr. BABST. Here is the circular. I have it here in the file.

The CHAIRMAN. You put the circular in the packages of sugar you sent out and used it somewhat extensively, did you not?

Mr. BABST. That particular advertisement—it is not a bulletin—to which you refer was put out in no way and at no place and was connected with no other thing, whether package or otherwise, than as you see it upon the back of that single number of that bulletin, which goes to about 6,000 wholesale grocers and manufacturers.

Senator VARDAMAN. What is it?

The CHAIRMAN. I shall put it in evidence. It is under date of September 21, 1917. There are the words "American Sugar Refining Co." Below that there is a picture of a child holding a sphere in her hand, emblazoned with the words "Nation-wide Candy Day, Saturday, October 6. Remember to take home box of candy." Then below that there is the following [reading]:

The manufacturing confectioners of the United States are cooperating in informing the public as to the value of good candy in the diet. To aid this campaign, Saturday, October 6, is set apart as a national candy day, to draw particular attention to this excellent energy food.

AMERICAN SUGAR REFINING CO.

The most complete line of sugar in America.

Senator VARDAMAN. That was issued for the purpose of sweetening this embittered world, was it?

Mr. BABST. That is a task on which we have been engaged for many years. I would like to say that this particular advertisement was put on the back of our bulletin, going to the wholesale grocery trade.

The CHAIRMAN. I do not think we need spend any more time with that.

Mr. BABST. It is quite important, because it led to a very important outcome. The establishment of a candy day by the National Confectioners had occurred in 1916, and this was a proposed second celebration of such day by them. In our cooperation with our confectionery customers this advertisement was printed on our bulletin of September 21 by our advertising department. As soon as this bulletin came to my notice, after it was printed, which was the first knowledge I had either of the advertisement or of the fact that the confectioners of the country were going to celebrate a candy day, nearly a month from the time of this publication, I immediately took steps personally to get in touch with some of these confectioners, in order to call their attention to the fact that the celebration of candy day this year was extremely inappropriate and inadvisable. Mr. Rolph, the head of the sugar division of the food administration, also saw this advertisement, and he spoke to me about it at once with considerable surprise, as he knew nothing of such a purpose. As a result of this advertisement coming out so far in advance of the date to be celebrated——

The CHAIRMAN. How much in advance, now, is it? What is the date of the advertisement?

Mr. BABST. September 21; and the day was to be October 6.

The CHAIRMAN. That is a great while, is it not—two weeks?

Mr. BABST. Two weeks. As a result of this advertisement coming out so far in advance of the date to be celebrated, the confectioners of the country—and, it is my recollection, under instruction or advice of the food administration itself—immediately advised all of their members to abandon the proposed celebration. We received the following telegram from the chairman of the National Confectioners' Association of the United States [reading]:

EXHIBIT No. 54.

ST. LOUIS, MO., *October 5, 1917.*

THE AMERICAN SUGAR REFINING CO.,
117 Wall Street, New York City:

In response to wishes of Mr. Hoover, and to show proper spirit of cooperation with his efforts in conserving sugar shortage, the confectioners throughout the United States were requested by wire to discontinue further activities and publicity relative to nation-wide candy day; also press notices in local papers were published calling attention to Mr. Hoover's wishes and discontinuance of candy festivities. An excellent spirit of cooperation has been shown from all sources.

NATIONAL CONFECTIONERS' ASSOCIATION OF THE UNITED STATES,
V. L. PRICE, *Chairman.*

The CHAIRMAN. Now let us close the incident. I do not want to take up more time with it. I just wanted to know if you published the advertisement. It appears that Mr. Price is the man who countermanded it. Let me ask you one other question. How many French contracts for sugar did you cancel in the year 1917?

Mr. BABST. None.

The CHAIRMAN. Are we in dispute now about the term "cancel"?

Mr. BABST. No; we are in dispute about the fact. I did say to Mr. Spreckels, exactly as he testified—and I think that is the only point on which I could give any testimony which would be in agreement with Mr. Spreckels's testimony—that we had looked over the contract which we held with the British Royal Commission for sugar still unlisted for France, and that in view of the great need for sugar in this country and of the fact that the sugar under the contracts taken during the months of June and July were still on hand in our warehouses on November 15, for which no ships had been declared, that we proposed to cancel these contracts and distribute these sugars, amounting to 6,000 tons held at Philadelphia and 2,000 tons held at New York.

The CHAIRMAN. Did you cancel the contract?

Mr. BABST. We did not cancel the contracts; as a matter of fact we still owe this sugar to the British Royal Commission, merely having postponed the date of delivery, so that we will fill our contract from the new crop Cuban to arrive after January 31.

The CHAIRMAN. What did you do with this sugar that you had on hand for France? Did you dispose of it?

Mr. BABST. We gave a large part of the 6,000 tons held at Philadelphia to the United States Army and Navy and 2,000 to the Belgian Relief and the Red Cross, from New York. Whatever balance was left we distributed from day to day in small quantities to our trade out of Philadelphia and New York.

The CHAIRMAN. As a matter of fact, you were selling sugars right along to the Army and Navy, were you not? And right along to the Red Cross, and right along to the Belgian Relief Committee?

Mr. BABST. Yes.

The CHAIRMAN. And right along to the general public?

Mr. BABST. Yes; by reason of the fact that——

The CHAIRMAN. Well, you were selling them?

Mr. BABST. You have asked a very special question, and I would like to give you a complete answer.

The CHAIRMAN. I do not care for any detail about it. You were selling them, and these particular sugars that had been contracted for France you did not deliver to France, and you have consumed them, and I do not say in any improper way and have not so intimated——

Mr. BABST. But it has been intimated in a very improper way by a witness who testified to this incident.

The CHAIRMAN. Not at all; nobody intimated it—and you expect to supply the sugars to fill those contracts out of the new crop. That is the size of the whole thing, is it not?

Mr. BABST. That is a perfectly proper statement, but the incident has been spread on this record in an entirely improper manner, leading to an entirely wrong and improper innuendo and reflection upon the American Sugar Refining Co.

The CHAIRMAN. You are supersensitive. The question is whether these things have been——

Mr. BABST. There is a letter in this record which I think most men would feel some degree of supersensitiveness about, relating to this very matter.

The CHAIRMAN. Now, will you tell me to what extent your company handles sirups?

Mr. BABST. We have the refiner's sirups, as do all refiners of the United States.

The CHAIRMAN. I do not doubt that. To what extent do you handle them?

Mr. BABST. To the extent of between 9,000,000 and 10,000,000 gallons a year.

The CHAIRMAN. Did you make any sugars into sirups after October 1?

Mr. BABST. Certainly we did, because we operated some refineries after October 1. You can not make sugar without making sirup.

The CHAIRMAN. Did you, in addition to the sirups which are the by-product of sugar refining—I will treat it that way—melt sugar to make sirups direct, after October 1?

Senator JONES. You mean granulated sugars?

The CHAIRMAN. Any kind of sugars.

Mr. BABST. We have melted, as I have already testified, 51,812 tons of sugar from October 1 to December 15, and of course as a manufacturing result we have made a considerable—we have made the ordinary refiner's sirup, to what exact amount I do not know.

The CHAIRMAN. Is that the only way you have made sirup, in that way, as a by-product of your refineries, since October 1?

Mr. BABST. We continually are making sirups as a part of our manufacturing process, and make various grades of sirup, different kinds, and sell it in different ways.

The CHAIRMAN. There is not any use of you and I fencing in this manner.

Mr. BABST. If you will tell me what you want I will answer.

The CHAIRMAN. I have told you in very plain language. I asked you if you made sirups and you said you always made sirups when you made sugars. I asked you then if you had made any sirups except those that were by-products of the sugar manufacture since October 1. You can answer that.

Mr. BABST. So far as I know, we have made nothing unusual since the 1st of October.

The CHAIRMAN. That is not it. If you have made any sirups since October 1, except those sirups which you necessarily made or produced as a by-product when you were melting sugar—refining sugar—is the question.

Mr. BABST. We make another product which is known as invert sugar, as a regular part of our business, which might be covered by your question and described as a sirup. Is that what your question means?

The CHAIRMAN. Very well; invert sirup. Is it something like sirup?

Mr. BABST. Oh, yes; very much like sirup.

The CHAIRMAN. An ordinary farmer like myself would take it for ordinary sirup?

Mr. BABST. You would take it for something better than sirup.

The CHAIRMAN. You make it out of what?

Mr. BABST. Out of sugar.

The CHAIRMAN. And to what extent have you made that since October 1, 1917?

Mr. BABST. Our capacity for invert sugar is about 10 barrels a day.

The CHAIRMAN. Your capacity?

Mr. BABST. And in any event it can not have exceeded that amount, and undoubtedly the accurate figures will show that it was very much less.

The CHAIRMAN. So that you have not made any unusual amount, anyway, of sirup?

Mr. BABST. We could not, Senator Reed. It is a manufacturing impossibility.

Senator VARDAMAN. How is that made, Mr. Babst?

Mr. BABST. I do not believe I am enough of a technical sugar refiner to give you a character or definition of an invert sugar which would not cause some of my more experienced competitors who are now in the room to be somewhat amused. It is, however, generally speaking, a sugar which by an acid process has been inverted into liquid form, and when it is inverted its power of crystallization has been taken away from it. It is very valuable in certain grades of confectionery work, such as fillers and creams and nut work, and it is extremely useful in the mixing of table sirups, such as maple sirups and sugar sirups and corn sirups, and in giving to them the liquid and flexible character which will prevent all of the product with which it is mixed from recrystallizing. It is quite like glycerine in color and consistence, and very often is substituted for glycerine.

The CHAIRMAN. You have now described very accurately the process of using instead of making it, but I think it is utterly immaterial.

Senator VARDAMAN. I asked the question about that purely for my own information.

The CHAIRMAN. I do not mean to criticize you, Senator, in any way.

Senator VARDAMAN. I know.

Mr. BABST. I think I said it was a granulated sugar which we inverted by an acid process, to which heat was applied and afterwards it was clarified.

The CHAIRMAN. Yes. Can you tell me how many tons of sugar you have turned over to the Royal Sugar Commission since June?

Mr. BABST. We already have given it to you since the 1st day of January, 1917.

The CHAIRMAN. That is enough, sir; continue. I did not understand that was given.

There was a memorandum handed me here, but I have no further questions.

Mr. BABST. In that connection I wish to state that it has been the policy of the American Sugar Refining Co. to sell no sugar to anyone in the world except the allies of the United States, and during the year 1917, out of our total exports, amounting from January 1 to October 31, 1917, to 121,000 tons, we actually did send 102,000 tons to the royal commission on the sugar supply. What little sugar went to neutral countries, including especially the sugar which went to Norway, amounting to 2,900,000 tons, was taken at the end of the year 1916 through the firm of A. H. Lamborn & Co., and more than four months before this country declared war on Germany.

Senator VARDAMAN. Mr. Chairman, if you are through, I think we might adjourn.

The CHAIRMAN. We have one gentleman here who wants to be heard so that he can return to New York this evening. We will hear you, Mr. Lemkau.

TESTIMONY OF MR. J. H. WALTER LEMKAU, 96 WALL STREET, NEW YORK CITY.

(The witness was sworn by the chairman.)

The CHAIRMAN. You have handed me here two letters which contain a statement that you have made with reference to some of the matters in controversy. I want to ask you if the statements in those letters are true to the best of your knowledge and belief?

Mr. LEMKAU. They are.

The CHAIRMAN. They simply have to do with the sugar situation. I did not want to put in testimony that was entirely unsupported.

Mr. BABST. Do they in any way contradict the testimony I have given here?

The CHAIRMAN. I do not know, sir.

Mr. BABST. May I see them?

The CHAIRMAN. We are not trying you. They are not a part of a case. There is no reflection on you. You are not mentioned, that I know of. If you are, the letters will be here in the record and you can see them to-morrow or next day.

Mr. LEMKAU. May I say a word on that, Senator?

The CHAIRMAN. Yes.

Mr. LEMKAU. There is no reflection in that letter on Mr. Babst. There is no reflection on anyone. It is a condition that is mentioned. I think the importers should have some representation on the commission. If we importers do not have representation, we can not give the public sugars as cheaply as I think they ought to get them. and it is only right that we should have representation.

Mr. BABST. Is there any reflection on the American Sugar Refining Co. there?

Mr. LEMKAU. No, sir.

(The letters presented by Mr. Lemkau are here printed in full, as follows:)

EXHIBIT No. 55.

[J. H. Walter Lemkau, Molasses, Rice, Sugars, and Sirup, 96 Wall Street. United States Food Administration License No. P 0011. Cable address: Syrupman. Member New York Coffee & Sugar Exchange (Inc.), New York. Telephone 1331 John.]

NEW YORK, *December 17, 1917.*

HON. JAMES A. REED,
United States Senate, Washington, D. C.

DEAR SIR: I sent you a wire this morning, of which I inclose you a copy, which speaks for itself. I hestiated in sending this to you on account of newspaper articles that I saw given out by Mr. Hoover on Saturday for the reason it may be construed I am sore at the administration and have an ax to grind and therefore wish to go on record and state here in this letter that I am in hearty accord with the Food Administration. I believe that Mr. Hoover has done a great work and that every citizen should support the movement, but I also believe that where errors have been made and where inefficiency has been shown the public should be at liberty to expose the errors so they can be corrected.

There is no one who is willing to do more for the administration and who is working any harder to support it than I am. In fact, I am willing to forego all my profit in the business if I can only help the public to get goods in my line at a low price, but believe we should run our business on a profitable basis so that all the importers can make a small profit and enable them to support the Government and help win the war by having a sufficient revenue at the end of the year which they can give back to the Government in the way of taxes.

I also wish to state that Mr. Rolph, who is chairman of the sugar committee here, has always been very agreeable toward me and no doubt has a very heavy burden on his shoulders, and I have no ax to grind in this respect, except when I make application for sugar for the domestic trade I get no response to my inquiry, and it has been difficult for me to get hold of Mr. Rolph, and I do not care to bother him a great deal on account of his time being so taken up.

At the last interview I had with Mr. Rolph, a week ago Thursday, I told him then that I thought the importers should be given a proper line to operate on, as we buy our sugars from the same source as the refiners do and practically sell to the same trade, except, being raw sugar, we sell for less money, and the trade we sell to can use it to better advantage than they can refined sugars. I stated I did not care for myself personally, but had people who needed the goods, and if the business can only be put on a profitable basis I am willing to set aside capital enough to do the business, allow the Government to run my books, and only ask for the actual expenses that are necessary to carry on the business, and the balance of the profit I would give to the Government so they can continue the war, as the Government can not fight unless it gets a sufficient revenue, and if they throttle the principal business they certainly can not get any revenue from these firms. Besides that the importers of my class are a help to the community in getting commodities at low prices so the cost of living can be reduced.

I only mention the above fact to you and make the same tender to you, as a representative of the United States, as to my willingness to give my services

that way to the country. I do this so that you and all the people can understand I did not wire you on account of any grievance I have against any of those connected with the commission, and I would not want Mr. Hoover to state in a letter to the public about my wiring, the same as he did about Mr. Spreckels's testimony, as there is no ulterior motive on my part in doing so except for the welfare of the public.

There is absolutely no representation of the importers on the commission. The United States members are all refiners, and as we sell to the same public as the refiners do, except at lower prices than they, you can see naturally that the more we sell to the public in this way the less the refiners can sell and profit thereby. If the refiners are so well represented on the board that the public have no voice the only results we will get, naturally, are those which are in the interest of the refiners. Every citizen of the United States is supposed to be, or, if not, should be, a member of the National Food Administration, and they are the ones who are vitally interested and should have some representation.

I therefore trust, in the investigation you are now making, you will bring forth this fact so you can help not my firm alone but also the entire public to cooperate and work earnestly with the United States Government to win this war, and they certainly will work with every energy if they know that the board is constituted for their benefit and have a representative on it who is not entirely in line with the sugar-refinery interests. This is the reason why I sent you my wire and asked if you could not give us some assistance, and I will be very glad to answer any questions which you may wish to put to me which will be of interest to the country, and which will help to allay the distress in the minds of the people on account of the way the present sugar committee is constituted. The contents of my wire to you are actual facts that occurred to me which I have proof of, and as I have been unable to satisfy a lot of my clients who want assistance I was therefore obliged to telegraph you as I did, and will gladly testify to these facts and others showing our hardship to get results and our rights.

Yours, very truly,

J. H. WALTER LEMKAU.

EXHIBIT No. 56.

NEW YORK, *December 17, 1917.*

Hon. Senator JAMES A. REED,
United States Senate, Washington, D. C.:

When my New York trades were in distress for sugars November 7 I asked commission the privilege of buying 700 tons Peru centrifugal offered to me at 5¼ cents, cost and freight, so I could relieve their sufferings. Later I asked privilege of buying 450 tons West Indies at the same price, and was offered considerable more sugar, but I could not get consent of commission. Consequently did not buy, sugars eventually selling to other country; but while my permission was before them they gave another firm privilege of selling same grade of sugar due in New York about same time at 6.40 cents, or 75 cents a hundred advance over my price, and which the public here had to pay.

We importers secure our sugars from the same source as refiners, as refiners sell to same trades, only we sell for less money. Consequently the public benefit through us, but we have no representation on the commission and get no results in our application for sugars or allowance to do business and help the public.

Such conditions caused the famous tea parties in Boston, which created the Government of the United States, and I believe the importers should be allowed to trade at a limited price and secure representation on the committee so they can help the public. Can not you give assistance?

J. H. WALTER LEMKAU.

The CHAIRMAN. If that is all, the committee will now adjourn.

(Whereupon, at 5.05 o'clock p. m. the subcommittee adjourned to meet at 10.30 o'clock a. m. to-morrow, Thursday, December 20, 1917.)

SHORTAGE OF SUGAR.

THURSDAY, DECEMBER 20, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the room of the Committee on Indian Affairs, Capitol, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, Jones of New Mexico, and Kenyon.

TESTIMONY OF MR. EARL D. BABST, PRESIDENT OF THE AMERICAN SUGAR REFINING CO., NEW YORK CITY—Resumed.

The CHAIRMAN. Senator Lodge will not be here this morning and said for us to go on, so that we will proceed.

Senator Jones, you said that you had some questions you wanted to ask the witness.

Mr. BABST. May I make a small correction?

The CHAIRMAN. Yes.

Mr. BABST. I want to point out that I put my finger at the bottom of the wrong column in one place yesterday and gave on the old-fashioned brown sugars for the months of July, August, and September the wrong figures. Instead of being 145,286 pounds, the figures should be 257,075 pounds; but the amount of the gross manufacturing profit before the deduction of selling and administrative charges was the same figure, $490.76. I assume I will have the opportunity of correcting this?

The CHAIRMAN. If you only make that much money on all the lump sugars you sell it is a startling thing, and it is a wonder to me that you are not in the hands of a receiver.

Mr. BABST. I agree with you, and now that I have examined it, I certainly expect to increase the differential on this particular package.

The CHAIRMAN. Now, we must get along. We can not take very much more time with this topic. I mean we can not take any unnecessary time. Let us get to it, and Senator Jones has the witness. He wants to ask some questions.

Mr. BABST. Here I hand the reporter the remaining figures on the raw sugars purchased, by weeks, during the month of June, and giving the average price, duty paid, New York.

The CHAIRMAN. Was that asked for?

Mr. BABST. Yes.

(The matter referred to is here printed in full, as follows:)

Raw sugar purchased June, 1917.

Week ending—	Tons 2,240 pounds.	Cents per pound average price, duty paid.
June 9	17,245	5.89
June 16	16,528	5.855
June 23	29,197	5.96
June 30	4,427	6.03

The CHAIRMAN. Have you the figures yet as to the amount of these special sugars that you sold during October and November and December?

Mr. BABST. No; we have not.

The CHAIRMAN. Have you sent for them?

Mr. BABST. We have not; but that will take a special investigation, which will require some time.

The CHAIRMAN. Not a very heavy investigation, is it, to find out how many you sold of those sugars?

Mr. BABST. Yes; it requires figures from New York, Boston, and Philadelphia, as well as from New York.

The CHAIRMAN. Proceed, Senator Jones.

Senator JONES. Mr. Babst, I would like to have you make a general, brief statement of the condition of the sugar business, as to prices of both the raw and refined, during the spring of this year.

Mr. BABST. I will call your attention to the chart in colored ink opposite page 16 of our report to stockholders, and will use that chart largely in making this brief explanation.

At the beginning of this year, especially through the months of January and early February, the visible supply of the country in the hands of the trade was unusually low, so low, in fact, that on the 29th of December we did the very unusual thing of calling the attention of the trade generally to the fact that they were permitting the supplies of the country to run down to a dangerous point.

Senator JONES. December of what year?

Mr. BABST. 1916. The net cash price of refined sugar at that time was 6.75.

Senator VARDAMAN. That was at the refinery?

Mr. BABST. At the refinery; and that price prevailed as to all refiners practically throughout the country from the 1st of January until about the middle of February, when there broke out in the refineries of the eastern seaboard a very serious labor agitation, which did not arise at all from the refinery employees but was the I. W. W. movement and agitation, and resulted in the closing down of seven or eight of the largest refineries in the country.

The CHAIRMAN. Let me understand that as you go along. You say that there was a strike in your factory and that your own employees did not strike? Is that what you say?

Mr. BABST. I will ask the stenographer to read my answer.

(The stenographer read the preceding answer of the witness, as follows:)

The net cash price of refined sugar at that time was 6.75.
Senator VARDAMAN. That was at the refinery?
Mr. BABST. At the refinery; and that price prevailed as to all refiners practically throughout the country, from the 1st of January until about the middle of February, when there broke out in the refineries of the eastern seaboard a very serious labor agitation, which did not arise at all from the refinery employees but was the I. W. W. movement and agitation, and resulted in the closing down of seven or eight of the largest refineries in the country.

Mr. BABST. Many of the agitators who brought about that agitation are now under indictment from the recent troubles.

The CHAIRMAN. Who struck? Did your employees strike?

Mr. BABST. Our employees left their work.

The CHAIRMAN. They struck, did they not?

Mr. BABST. They did.

The CHAIRMAN. Yes.

Mr. BABST. But not from anything arising among themselves.

The CHAIRMAN. Were your employees members of the I. W. W. and ordered out by somebody?

Mr. BABST. They became members of the I. W. W., many of them, after this agitation started. I speak of it as an outside agitation, because we knew of the coming of this agitation and of its organization, with headquarters in Philadelphia, in advance of its actual happening.

The CHAIRMAN. But what I am trying to get at is this one thing. I do not want to spend any time on it. As I understand you now, the I. W. W.s influenced your employees?

Mr. BABST. Exactly.

The CHAIRMAN. And your employees did strike?

Mr. BABST. Our employees did leave their work, and never returned to their work, because we never took them back.

The CHAIRMAN. You call that a strike, do you not?

Mr. BABST. We do.

The CHAIRMAN. And you supplied their places with what?

Mr. BABST. With men who had never been in our employ before.

The CHAIRMAN. Colored labor?

Mr. BABST. We have used a great deal of colored labor in this year, especially in New York and Philadelphia.

The CHAIRMAN. That is all; I just wanted to get it clear as we went along.

Mr. BABST. The result of these very serious strikes, affecting the entire cane-sugar industry, was accompanied by very sensational reports and stories, which have been presented and are presented in this report I have referred to, with the result that the consumers of the country became very much alarmed and disturbed, and a very heavy buying demand arose in the trade. The price of sugar in the retail stores, especially in New England towns, near Boston, went as high as 25 cents a pound at a time when there were large stocks of refined sugar on hand and very ample stocks of raw sugar.

The CHAIRMAN. Are you speaking about retail prices?

Mr. BABST. In that instance I was.

The CHAIRMAN. What about the wholesale price?

Mr. BABST. The wholesale price of the refiners was also affected by changes in the raw-sugar market, at the same time. The prices of other refiners that carried on their business under the usual operation of supply and demand were raised almost immediately, and for a period——

The CHAIRMAN. To what point were they raised?

Mr. BABST. They were raised from the point of 6.75, net cash, to about 7.80, on the part of some refiners; and during a period covering more than 30 days almost all of the refiners of the United States were from a quarter to a half and a full cent above the price of the American Sugar Refining Co. The Federal Sugar Refining Co. for a long period, of more than 30 days, maintained a price a full cent over the price of the American Sugar Refining Co.

The CHAIRMAN. Did you not withdraw from the market at that time?

Mr. BABST. No.

The CHAIRMAN. Practically?

Mr. BABST. We did not.

The CHAIRMAN. And did you continue to furnish supplies? Did you continue to fill all orders at that time?

Mr. BABST. We continued to sell our meltings, from day to day, and sold all the sugar that we could produce, as well as making unusually large deliveries out of refined stock, which we had accumulated during this dull period I have described, during January and early February.

The CHAIRMAN. Will you give us the figures as to what you did actually deliver during those months?

Mr. BABST. I can produce a table showing all our deliveries, day by day, week by week, month by month, or in any way the chairman desires to have it produced.

The CHAIRMAN. I should like to have it. Just give us your daily deliveries during that time and your prices each day.

Mr. BABST. The American Sugar Refining Co. took a very unusual step when this strike grew so serious and when these sensational stories went to the public. Instead of raising its price under the operation of the law of supply and demand for psychological reasons and the effect on the public mind for the purpose of allaying their fears we dropped the price of our refined sugar a quarter of a cent on the 23d day of February, and notwithstanding all the excitement among the consumers of the country, we held to that price until near the end of March, when there occurred an advance, based upon advances in the raw-sugar market. During all of this period, from the end of March until the middle of April, the same conditions which I have described continued with an extremely heavy demand on the part of the consuming public. This demand was so large and so heavy as to be extremely disquieting and arose very naturally out of the fact that the invisible supplies of the country had been permitted to run very low.

Senator VARDAMAN. You mean by "invisible supplies" the sugar in the hands of the trade?

Mr. BABST. Of the trade, in the hands of manufacturers——

Senator JONES. And retailers?

Mr. BABST. And retailers.

The CHAIRMAN. The public knew this fact, did they?

Mr. BABST. The public were thrown into a panicky state of mind by the sensational stories and a great deal of consumer hoarding developed, and at no place was it more pronounced than in the city of Washington. The city of Washington is not a jobbing center, depending entirely upon retail stores, and the supplies of the city of Washington were so quickly exhausted that I was in receipt of daily telegrams from United States Senators and others asking what might be done to replenish stocks here.

The CHAIRMAN. What time are you talking about now?

Mr. BABST. I can give you the exact dates, but it was in the month of March.

Senator VARDAMAN. 1917?

Mr. BABST. The conditions in Washington were so disturbing that we finally published in the papers of Washington the series of advertisements to which the chairman has referred in order to allay public alarm here.

The CHAIRMAN. Is that in this same publication? I have forgotten.

Mr. BABST. These telegrams in Washington appeared in the Post, Star, and Times of February 23, 1917, the day following a very serious labor riot at Philadelphia, and the same day that we dropped our price a quarter of a cent as an indication to the public of our confidence in our ability to deal with the situation, provided we could allay their fears and secure their support.

These conditions continued more or less disturbing all through the months of March and April. We continued our policy of selling practically our daily melt and holding down our business until a date which I should say was substantially the 10th or 12th day of April, when the price of granulated net cash f. o. b. refinery was raised to 7.40. The price of other refiners at this time, acting under the law of supply and demand in the ordinary course, went to unusually high figures, the Federal refinery being practically all the time a cent a pound above our price.

The CHAIRMAN. We are not interested in your price and other prices compared so much as we are with what the price was.

Senator JONES. Mr. Chairman, I think it is important to show the wide fluctuations in the market, the instability of the market.

The CHAIRMAN. That is all right, but the witness's testimony appears to be largely devoted to trying to demonstrate that he was a little lower than somebody else. I simply suggest, Senator Jones, that the fluctuations in the sugar market are important, and that is why we want to get this.

Senator JONES. The fact that the different companies had different prices to my mind is an important factor to be brought out.

The CHAIRMAN. Very well; if you think so, I am not going to interfere with you, of course.

Mr. BABST. I assumed the question called for that.

The CHAIRMAN. But instead of the unusually high prices and unusually low prices, suppose you just give us the prices.

Mr. BABST. All of the prices are on this chart as to the principal refineries and the principal producers of consumption sugar in the

United States during this entire period from January 1 to October of the present year.

The CHAIRMAN. Then why not put in the chart and let us have them?

Mr. BABST. I should like, then, to put in the entire report, make it a part of the record, as many questions have been asked from it, and a great many excerpts have been read from it.

The CHAIRMAN. Oh, no; we are not going to copy this whole book into the record.

Mr. BABST. I renew my request to the committee.

The CHAIRMAN. The committee will rule on it when the whole committee is here. I will not assume to rule on it.

Mr. BABST. The book has been used a great deal during the last two days.

The CHAIRMAN. Well, proceed.

Mr. BABST. These conditions, so far as price was concerned, and the maintaining of a level price of 7.40 by the American Sugar Refining Co. under its policy of selling its output substantially from day to day, continued up to the 1st of June and through until after the middle of July, the price of all other refiners meanwhile being substantially higher than the price of the American Sugar Refining Co. The condition prevailing in the domestic market up to the 1st of June resulted in such a heavy buying on the part of the trade that we now know that during that period there was approximately 200,000 tons more sugar consumed than during the corresponding period of the preceding year.

The CHAIRMAN. When you speak of the sugar being consumed, do you mean it had been bought and taken out of your hands, or actually consumed, eaten up, used up?

Mr. BABST. Of course, we can not know whether it was eaten up or not; but when we speak of consumption buying we mean it passed out of our hands into the channels of trade.

The CHAIRMAN. Proceed.

Mr. BABST. This, in a very brief and general way, was the condition of the refined sugar market during the first six months of this year.

As to the raw-sugar market——

The CHAIRMAN. Let me ask you a question there for the sake of clearing up this plat. You have a chart here, printed in connection with your book, which shows the fluctuations of sugar, as I understand. This chart which you have referred to shows the fluctuations of sugar, and by different colored ink it shows what prices were charged by certain companies.

Mr. BABST. Enumerated.

The CHAIRMAN. Enumerated. Can you state the amounts which these companies handled and sold at these high prices that you have indicated here?

Mr. BABST. I could not. It would only be possible to obtain that information by asking the individual refiners for such information, although I believe a large part of it is already on file with the Federal Trade Commission. I would state, however, that a difference of a cent a pound in the price of fine granulated is $3.50 a barrel, and that a refinery which was selling and delivering 10,000 barrels a day would be receiving $35,000 more by reason of that 1-cent increase in price

over the refinery that was 1 cent under it in price, as was the case frequently during this period between the American Sugar Refining Co. and the Federal Sugar Refining Co.

The CHAIRMAN. The committee is not interested in these arguments as to the merits of these two corporations. What I asked you was if you could tell the amount of sugars that were sold at these various prices, and I understand you to say you can not do it.

Mr. BABST. I gave an illustration. I wanted to show the——

The CHAIRMAN. I understand your purpose in giving it. Now answer the question. Please answer the question.

Mr. BABST (continuing). The difference in operating under the law of supply and demand and by selling its output——

The CHAIRMAN. But in the meantime, while the law of supply and demand was in full operation, the American Sugar Refining Co. stood steadfastly on guard and kept the price of sugar down, so that the American people did not suffer much?

Mr. BABST. That is a statement which I am glad to have the chairman make. It is absolutely true.

The CHAIRMAN. Well, that is your position?

Mr. BABST. That is our position precisely.

The CHAIRMAN. I think we can concede, then——

Mr. BABST. I appreciate that.

The CHAIRMAN (continuing). For the sake of the argument, that the law of supply and demand being in operation, and the American Sugar Refining Co. being in charge of it, the American people were in no respect jeopardized; they were looked after.

Mr. BABST. And it was a fulfillment of the responsibility to which you called my attention day before yesterday that we were under, of safeguarding the sugar supply of America, made especially difficult during this present time.

The CHAIRMAN. Let this map be marked.

(The map referred to was marked by the reporter, and is printed as Babst No. 1, Exhibit No. 57.)

Mr. BABST. Then the committee will rule on the request that the whole report go in?

The CHAIRMAN. Yes; but I will say to you now that the committee will not print your whole report.

Mr. BABST. I should like, then, to have it offered as an exhibit.

The CHAIRMAN. Well, go on.

Mr. BABST. I have not finished my answer to your question. You asked for the whole year, did you not, Senator Jones?

Senator JONES. I want to bring out some other matters in this connection. You speak of the public being alarmed during the first six months of the year. I will ask you whether or not there were comments in the trade journals, and so on, about the situation, which might cause such alarm?

Mr. BABST. There were a great many comments at this time in all publications which had to do with sugar; and these comments, in calling attention to the facts, contributed to the difficulty, especially the stories in the daily papers. There also was another very important matter in the early part of this year that added to the public unrest, and that was the reports coming on the 15th of February of a serious uprising in Cuba, which is spoken of ordinarily as the

attempted Cuban insurrection. These reports were extremely alarming, and dealt with the destruction of cane fields, and sugar mills and otherwise tended to create a great deal of unrest in this country.

Senator JONES. Does this report of yours refer to those publications or statements in the press?

Mr. BABST. This report contains a chronological statement of a number of these reports and the newspapers in which they were printed, contained on pages 35 to 38. The first report appeared in the Philadelphia Public Ledger of February 8, and continued all during February and into early March. A list of the papers for a number of the Eastern and New England States is given. It was during this particular time that we made use of the distribution of package goods as a means of gaining wide distribution and preventing hoarding. The raw sugar market was equally disturbed by all of these facts and reports, and reached a very high point in the middle of April.

The CHAIRMAN. Tell us what the point was.

Mr. BABST. The point was substantially 6.46, duty paid, New York.

The CHAIRMAN. Is that raw sugar shown in the lower line of Exhibit No. 57, Babst No. 1?

Mr. BABST. Yes; the lower line.

The CHAIRMAN. The lower dotted line shows the raw sugar market?

Mr. BABST. Exactly. The two lines run together day by day throughout the year, flow lines showing both.

The CHAIRMAN. And they also indicate the prices, do they not?

Mr. BABST. They do.

The CHAIRMAN. Then there is no use——

Senator JONES. I think that will cover it.

The CHAIRMAN. That covers it. Did you want to put in at this time this list of papers that the witness says made these publications—pages 35, 36, 37, and 38?

Senator JONES. I believe that had better go in.

The CHAIRMAN. Very well.

Mr. BABST. The report contains a complete history, in answer to the question which has been asked, covering all of the sugar conditions in this country from the 1st of January down to the end of October, 1917.

Senator JONES. I do not know that we need put this list in. Just a general statement that it was broadcast throughout the country may go in, I think.

The CHAIRMAN. The whole book, with such information as it contains, may be filed, not for the purpose of printing but for the information of the committee. Would that be agreeable? Then the committee will take from it any statements they want to use.

Senaor JONES. I think that would be satisfactory, so far as I am concerned.

The CHAIRMAN. Very well; but the particular list that we are referring to of these alarming publications—I will describe them that way for the want of a better term—appears on pages 35 and 36 of this book, entitled "The American Sugar Refining Co. Conditions in the Sugar Market, January to October, 1917." All right, Mr. Babst.

Mr. BABST. Starting with the 1st of June, there was entirely an-
ıer set of conditions and facts which had a very important bearing
the sugar market, both raw and refined, and which are also illus-
ted in this same chart referred to in this same report. In May
re were several proposals made in Congress, one of a 10 per cent
valorem duty on sugar, and on June 1 a proposal to repeal the
ıwback on sugar for export.
The CHAIRMAN. Senator Jones, do you want that again? It has
been gone into.
Senator JONES. I do not think I do.
Mr. BABST. I can make that short.
Senator JONES. Make it just as short as you can.
Mr. BABST (continuing). As well as a proposal of a half cent
ise tax; all of these proposals tendings to increase the price, all
ıding to increase the demand both on the part of the public for
ınulated sugar and on the part of the trade for raw sugar. The
ect of these two factors in connection with the very heavy demand
ım the public for preserving is also shown on this chart.
The CHAIRMAN. Your chart shows the fluctuation in prices, but
statement that you make about this legislation is your opinion?
Mr. BABST. That is my opinion, which is concurred in by the sugar
ıde.
The CHAIRMAN. I did not ask you by whom it was concurred in.
Mr. BABST. By the sugar trade.
The CHAIRMAN. The sugar trade is not here to testify, except as
y appear. That is just your opinion?
Mr. BABST. That is my opinion, my business judgment of the facts
ım day to day.
The CHAIRMAN. The opinion and business judgment of a good
ıy other men are just the other way. You are entitled to put
ır opinion in the record.
Mr. BABST. The great midsummer canning and preserving cam-
ign, which was urged by our Government——
The CHAIRMAN. What part of the Government?
Mr. BABST. By the Department of Agriculture.
The CHAIRMAN. What other parts?
Mr. BABST. And the Food Administration.
The CHAIRMAN. And by yourself?
Mr. BABST. By the Executive of the country, and greatly fostered
the trade, by the refiners, by the American——
The CHAIRMAN. Who else? What recommendations were made
the food control on this and by the sugar branch of the food
ıtrol?
Mr. BABST. I have not the exact language of the Food Administra-
n's words, but I have here the language of President Wilson.
The CHAIRMAN. I am asking you about the food control.
Mr. BABST. I have not that language with me in this report.
The CHAIRMAN. You know that there were extensive requests or
portant requests put forward by the food control, do you not?
Mr. BABST. Very, and by all branches of the Government that
alt with the subject and by the trade, by canning clubs, canning
ıns, and women's magazines, and the press generally, and by
advertising campaign of the American Sugar Refining Co. to

save the fruit crop, all suggesting that during the preserving season everybody should put up more fruit and vegetables than they ever had before.

The CHAIRMAN. Not that there is anything wrong about it, but just to get at the facts, the sugar department of the food control participated in those requests to the public, did it not, and the American Refining Co. participated in it?

Mr. BABST. The American Sugar Refining Co. did participate in it, and it was very generally participated in by everybody at all interested. The food administration and the Department of Agriculture, in conformity with the advice of President Wilson to "secure the conservation of surplusages of perishable food products," urged the necessity for preserving all fruits and berries and the canning of vegetables, and undertook an educational campaign for the conserving of our surplus stock through home and industrial canning and preserving.

The CHAIRMAN. Did you not hear me ask you if the sugar department of the food control had taken any part?

Mr. BABST. There was no food control until August 10, and it is my opinion that this whole campaign started long before August, because the fruit crops must be preserved as they ripened throughout the country, starting with the Southern States and ending with the fall months in the Northern States.

The CHAIRMAN. I asked you if they had taken any part. Can you answer it? I did not ask you whether it was before or after August.

Mr. BABST. I do not know; I think they did not.

The CHAIRMAN. You might have said that some time ago. Proceed. Senator Jones, have you finished?

Senator JONES. Not by a good deal.

The CHAIRMAN. Has the witness finished that answer to your last question?

Senator JONES. It has been so long since I asked the question that I do not know whether he has finished that or not.

The CHAIRMAN. You asked for a general statement by the witness, to which I made no objection, but as the witness goes along I sought to ask him a question or two to clear matters up, and instead of getting direct answers we have these long—I do not like to use the term—but somewhat involved and evasive replies.

Mr. BABST. But very truthful.

The CHAIRMAN. Very well illustrated by the last statement we had. Go on with your answer.

Mr. BABST. The matter which I am describing is very important to the question which I hope eventually will be asked me as to why there is a sugar pinch in this country.

Senator JONES. I want to ask you first in this connection whether or not such conditions as you have related regarding the fluctuations in the sugar market of the United States obtained in other countries of the world, if you know, and to what extent?

Mr. BABST. The fact of the relation the other countries of the world had to us during this experience in June was caused entirely, in my opinion, by the proposal to repeal the drawback and put an excise tax on exports. This alarmed foreign countries seemingly

because it was interpreted as prospectively increasing the price of refined sugar from America and caused them to send to Cuba, and they made such large purchases there, and the American refiners in competition with them made such purchases, that the price of raw sugar advanced from early June to August 10.

The CHAIRMAN. Are we going back to that?

Senator JONES. I want to get a bird's-eye view of the situation if I can, and I do not think it has been obtained yet.

The CHAIRMAN. The point I am making is this: This witness has gone over at length his opinion as to the effect of these various bills introduced in Congress.

Senator JONES. Yes; I think he has done that.

The CHAIRMAN. And he has approached it at least three times this morning and been headed off, and he is now headed in that direction again, and I am trying to stop him. He has been over that.

Mr. BABST. I would like to tell to the country the sugar conditions in the refined and raw sugar market of this country during this year if this committee will permit me to do so.

The CHAIRMAN. The committee has been very liberal with you and very indulgent, and the committee will conduct this examination, and then when we get through, if there is anything else that you want to say to the country, you can say it in your own way; but please pass on from this topic of rebates and drawbacks and bad congressional action which you have been fully over and have fully exposed and go on to something else.

Mr. BABST. The price advanced from 5.89——

The CHAIRMAN. Is not that all on your plat?

Mr. BABST. From 5.89 on the 10th of June, when the food-control bill was introduced, to 7.52 on the 10th of August, when the food-control bill was passed.

Senator JONES. Mr. Babst, I wish you would tell us about the available world supply of sugar during the spring and early summer of this year.

Mr. BABST. There was every indication of there being ample supplies for the United States consumption and normal needs, and in my judgment it is only by reason of the increased consumption in America, demanding 400,000 tons more of sugar to meet its needs up to the 1st of November, and the shipping to Europe of about 200,000 tons more in 1917 than in 1916 from Cuba, that has led to our lack of supplies during the fall months.

The CHAIRMAN. Right there, so that there will be no false impression, we have been over that about three times. Is it not a fact, as you previously said, that, while Europe purchased 200,000 tons more from Cuba, she got 300,000 tons less from the United States during the period about which you are talking?

Mr. BABST. That is a fact, but that is not an answer to the situation, as is fully explained on page 28 of the report, which is now an exhibit in this record. Therefore, in my judgment, the present pinch in very simple language is best described by the old adage that you can not have your cake and eat it too. The sugar, instead of being in the sugar bowl to-day is in the fruit jar and the jam jar and the preserves of the housewives of this country. That is one of the reasons for the present situation. There is one other reason, and that is that there has been delayed distribution, and such lateness in our

beet crops here that by reason of car shortages and freight congestion these sugars have not been able to be distributed as they normally would be, and to the same extent they normally would be.

Senator JONES. What was the world supply, available supply, of sugar in the spring and early summer of this year, as compared with last year?

Mr. BABST. It was approximately the same.

The CHAIRMAN. Was there any extraordinary effort being made on the part of other countries to secure sugar during those months?

Mr. BABST. All during the months of June, July, and August there was every indication of large purchases, and there were very large shipments, extraordinarily large shipments, during the months of June, July, August, and September, to the amount of 200,000 tons more than the previous year, largely to the British Royal Commission.

The CHAIRMAN. From American ports or Cuban ports?

Mr. BABST. Cuban ports.

The CHAIRMAN. That is the old story that has been gone over. Those 200,000 tons of sugar are the same 200,000 tons that have been put into the record about 50 times.

Mr. BABST. And if those 200,000 tons were in Cuba for the fall months, and had not been sent to Europe, we would have had that much more sugar.

The CHAIRMAN. You would have had that much more to refine and to sell to Europe, and your sales to Europe would not have fallen off, as they did. After all, it is a question of refiners' profit with you, is it not?

Mr. BABST. Not at all, not in the slightest. Our meltings in this country have been as large the first 10 months of this year as they were the first 10 months of last year.

The CHAIRMAN. Very well, then you did not suffer by virtue of that 200,000 tons of sugar being taken up in that way, and Europe got as much as ever and you had 200,000 tons left?

Mr. BABST. The consumers of this country have had their sugar supply taken away from them.

The CHAIRMAN. But you said they had a normal supply and used it up in making preserves.

Mr. BABST. They consumed approximately 400,000 tons more than the previous years, 200,000 tons in the last six months, and so far as we can judge, 200,000 tons more during the end of the summer.

The CHAIRMAN. And during that time Mr. Rolph had how much sugar?

Mr. BABST. That I do not know.

The CHAIRMAN. You know approximately. It is your business as a member of this board to know where the sugar was, is it not?

Mr. BABST. Not at all.

The CHAIRMAN. As a member of the Sugar Supply Board of the United States?

Mr. BABST. I am merely a member of the international committee.

The CHAIRMAN. And it is not your business to know where the sugar is?

Mr. BABST. It is not, so far as Hawaiian sugar and domestic sugar is concerned. I have enough to take care of without looking after that.

The CHAIRMAN. As president of the American Sugar Refining Co. you keep no track of stocks?

Mr. BABST. I do not on the Pacific sugars.

The CHAIRMAN. And yet before this committee you give us an opinion that we ought to accept in regard to the sugar conditions of the world, and you say you are so ignorant of the sugar conditions of the world that you do not know approximately how much of Hawaiian sugars there was in this country, and that you have made no effort to keep track of these things?

Mr. BABST. I can give you an absolutely correct statement as to any of those matters as to any particular date.

The CHAIRMAN. Then a moment ago, when I asked you if there was not at this time you were speaking of a large amount of sugar on hand in the hands of Mr. Rolph, why did you say that you did not know where they were, and why did you disclaim any knowledge and say that it was not your business to know?

Mr. BABST. It was not, as a member of that International Committee.

The CHAIRMAN. Well, all right; go ahead.

Senator JONES. I will try and get another start. Were the foreign countries bidding for these Cuban sugars and other world available supply of sugars in competition with the United States during those months?

Mr. BABST. There had been very marked and sharp competition between our refiners against each other and against the English Royal Commission on the sugar supply. This competition has not been confined to this year but it has been going on for two or three years. In an effort to limit and confine this competition between foreign governments there has been centered in the English Royal Commission the purchasing of all sugar for the Governments of Italy, France, and Great Britain, so that we were in competition, as individual refiners in this country, with a great foreign commission which had the advantage of the nationalized tonnage of all those countries.

Senator JONES. What about other neutral countries; were they also bidders in competition with the United States?

Mr. BABST. Yes, sir; and they have been from time to time very considerable buyers in our markets of refined sugars.

Senator JONES. Yes.

Mr. BABST. As has also been the English Royal Commission, acting for these countries.

Senator VARDAMAN. May I ask, does the English Royal Commission buy sugar for the neutral countries at all?

Mr. BABST. They do not. They buy merely for the allied countries.

Senator VARDAMAN. Have you any data which will enable you to state the amount of sugar taken by the neutral countries? Just approximate it; I do not ask it exactly.

Mr. BABST. I have no data except for the first 9 or 10 months of this year.

Senator VARDAMAN. Have they been permitted to get any American or Cuban sugar since the enactment of this food control bill and our entrance into the war?

Mr. BABST. They have not been. One of the first things that the Food Administration did was to embargo exports of all sugars, and they afterwards released, in part, exports to the allied nations, but continued the embargo on the exports of all refined sugar to the neutrals, and even went so far as to requisition, under the power of the act, approximately 16,000 tons of sugar which was in the country and not shipped to Russia, and all of this was thrown into the domestic supply.

Senator VARDAMAN. Then they have not been in the market since the enactment of the law?

Mr. BABST. Not since the enactment of the law; but they were in the market before the enactment of the law to quite a considerable extent.

Senator JONES. I ask you whether or not the prices which those countries were paying during those months, and we will say prior to the enactment of the law that has been referred to, fluctuated in accordance with the fluctuations in this market, or whether they fluctuated as between themselves? What was that general state of the world's market?

Mr. BABST. I have no direct personal knowledge of this business with neutrals, but I know in a general way that the price of refined sugar for export to the neutral countries was affected by the ordinary supply and demand, and sales made for export to neutrals were understood to be higher than the domestic price prevailing.

Senator JONES. Do you know what effect the placing of the embargo had upon our available supplies of sugar?

Mr. BABST. It held all that sugar here for distribution in this country during these fall months, and if the action had not been taken by the food administration this sugar would have left the country in the ordinary course.

The CHAIRMAN. Did the food administration declare that embargo?

Mr. BABST. The embargo was declared by the President.

The CHAIRMAN. Under the general powers which enabled the President to declare an embargo upon anything going from this country, and it was a part of his general embargo proclamation, was it not?

Senator VARDAMAN. I suggest, Mr. Chairman, that that matter is determined by the proclamation, and it is not material what the witness may say about it or what opinion he may have.

The CHAIRMAN. We can put in the proclamation if it is necessary.

Senator VARDAMAN. Yes; we just want to find out what the witness knows.

Mr. BABST. I will state, however, that the food administration did take action on that matter in an announcement which they made, to this effect:

> The food administration had authorized the exportation of orders taken prior to August 30 for allied European nations, but will not permit exportations of sugar to American or other neutrals. This latter includes Newfoundland, Canada, Argentina, and Mexico, which cases will be specially considered upon presentation. Brokers should not solicit nor accept future export business, as all orders will be subject to decision of export board, and will first have to have the approval of International Sugar Committee.

The CHAIRMAN. Give me the first line of that again.

Mr. BABST (reading):

The food administration has authorized the exportation of orders taken prior August 30 for allied European nations.

The CHAIRMAN. Prior to that the President had issued the proclamation?

Mr. BABST. I assume so. I have not it at hand.

Senator JONES. In judging from your knowledge of the sugar situation at the time that embargo was placed, was it advisable to have placed such an embargo in order to preserve the supply of the United States?

Mr. BABST. It was very advisable, and a very salutary act, in my judgment.

Senator JONES. And it resulted in what benefit to the people of the United States?

Mr. BABST. It resulted in the saving of many thousands of tons of sugar in this country that otherwise would have gone to neutral nations and to the other countries enumerated in the food administration order, which I have just read. It also prevented the taking of all further business from neutral nations who had been in our market during the summer months.

Senator JONES. What effect did that have upon the price of sugar, if any?

Mr. BABST. Well, it was one of the aids to the food administration in stabilizing prices and taking other steps, which have resulted in a steady decrease of the price of refined sugar since the food-control act was passed, as well as a decrease in the price of raw sugars from the corresponding date, all of which is shown on this chart.

The CHAIRMAN. That is the same chart which has been offered in evidence?

Mr. BABST. Yes; it is the same chart.

Senator JONES. Regarding the retail price of sugar in the United States, of course that involves the price of sugar from the refiners to the wholesalers.

Mr. BABST. Yes; and then to the retailers.

Senator JONES. And then to the retailers. I will ask you what effect there has been upon such prices by the things which it has been stated here that the food administration has done?

Mr. BABST. The ordinary operation of the law of supply and demand has been more or less, if not entirely, suspended, and retail prices, which under normal conditions would have gone to a very high figure, indeed——

The CHAIRMAN. Retail prices?

Mr. BABST (continuing). Retail prices—have been controlled and stabilized and have been brought down to what has been considered a reasonable margin of profit for the services performed both by the jobber and by the retailer.

The CHAIRMAN. Let me ask you this: You say that the food control has never undertaken to regulate the retail business of this country?

Mr. BABST. They have as to all retailers doing a business of more than $100,000 per annum, and they, in cooperation with the various municipal and State officials, largely through publicity and the pub-

lication of the prices of sugar at retail, have had a very marked effect on the situation.

The CHAIRMAN. What you mean to say is that they license a dealer doing more than $100,000 a year business, and then they have put out some publications from time to time saying what they think is a fair price for sugar; but you do not mean to say that they have regulated the price charged by the retailer.

Mr. BABST. Not in any legal sense, at all; but in the practical sense.

The CHAIRMAN. What they have done has been in putting out those figures about retail prices. Nearly every paper in the United States on its own motion has been—well, I will use the term—lambasting the people that charge unfair prices, and local food boards have been doing the same thing, and there has been a general public propaganda of that character; and do you mean to say that the food control did all of this, or do you claim that the American people had something to with it?

Mr. BABST. I claim that the spirit of cooperation of the American people under the principles and ideals which lay back of the food-control bill, which caused Congress to pass it. We had a case last spring where, with similar conditions, when there was no food-control bill and there was no opportunity for such cooperation, retail prices went to 15 and 20 and 25 cents a pound, even, in the neighborhood of and in outlying districts of Boston.

The CHAIRMAN. What was that on?

Mr. BABST. That was on sugars.

The CHAIRMAN. Did you not have just as good a control up in Boston as you had in other parts of the country?

Mr. BABST. I will ask the stenographer to read my answer. I think that covers it.

(The stenographer read the answer of the witness as follows:)

I claim that the spirit of cooperation of the American people under the principles and ideals which lay back of the food-control bill, which caused Congress to pass it. We had a case last spring where, with similar conditions, when there was no food-control bill and there was no opportunity for such cooperation, retail prices went to 15 and 20 and 25 cents a pound, even, in the neighborhood of and in outlying districts of Boston.

The CHAIRMAN. You say it went to 25 cents?

Mr. BABST. Yes.

The CHAIRMAN. How long did the price stay at 25 cents?

Mr. BABST. Over a period of some days in the month of February.

The CHAIRMAN. What do you mean by "some days?"

Mr. BABST. I have not here a statement of the exact days, but I quote from the New York Evening Telegram, in a special dispatch from Boston, this statement:

Sugar has jumped in several Massachusetts cities from 7½ to 18 cents a pound.

The CHAIRMAN. Well, you do know as a matter of fact that sugar fell almost immediately, do you not? There was a little pinch for a few days, a little scare, and then the sugar refineries of the country supplied the market.

Mr. BABST. It started an alarm in the New England States which had its influence for a very long time, but we did not have any such prices as that for any considerable length of time.

The CHAIRMAN. It went down to practically normal in a day or wo; did it not?

Mr. BABST. No; such a condition as that, Senator, was a very erious situation, but it was gotten under control.

The CHAIRMAN. Within a very few days?

Mr. BABST. Well, a substantial number of days.

The CHAIRMAN. How many?

Senator VARDAMAN. When was that?

Mr. BABST. At the end of February and early in March.

The CHAIRMAN. Let him answer how many days it was.

Mr. BABST. I could not state the exact number, but I could give rou quite an interesting series of facts on that particular subject if rou desire.

Senator KENYON. Would it take you over into the afternoon to give them?

Mr. BABST. I think not, Senator Kenyon. I should like to get hrough this morning if I possibly can.

Senator KENYON. I should like to ask one question. I realize that rou are examining the witness, Senator, but it is like the man who as the floor in the Senate, he never has a chance to say anything. How does the general price of sugar to the consumer, the increased price, compare to the increased price of other articles since the war? Has sugar gone up more than other staple articles, or less, or is it bout the same?

Mr. BABST. Sugar in the United States all during the period of the war has been lower than anywhere else in the world, taking the average yearly prices. To-day in the United States, comparing it on the basis of food calorie value, it is one of the cheapest food commodities that we have. The only commodities that are cheaper on hat basis are the cereals, such as corn meal, rolled oats, wheat, ominy grits, graham flour, rye flour, and then comes granulated ugar. After the prices are readjusted under the proposals of the Food Administration and using the same basis of comparison, without, of course, knowing definitely what changes might come in the ther commodities, it seems to me very likely that sugar will be the heapest food commodity that goes on the American table, as it is o-day the cheapest prepared food commodity so manufactured that s immediately ready and available for consumption.

Senator VARDAMAN. May I ask a question, Senator Jones, just at hat point? Is not that due largely to the fact that there is an nusual supply?

Mr. BABST. I do not think so. It is quite the contrary, Senator Vardaman. There is no more supply than there was last year.

Senator VARDAMAN. No more sugar than there was last year?

Mr. BABST. There is no more sugar available for America prospectively for 1918 than there was for 1917.

Senator VARDAMAN. Is the low price the result of any artificial nfluence which is operating against the law of supply and demand?

Mr. BABST. It is; and prospectively we are going to get this low price entirely through regulation and not through the law of supply and demand, provided, of course, that food control continues; and provided, of course, that the contract to which six foreign nations are parties and which is now being negotiated by the International Sugar Committee is successfully completed. This contract provides

for an allocation of the surplus stocks of Cuba, meeting the requirements of the British Royal Commission representing Italy, France, England, and Canada, and also for the United States. I have prepared here a chart which shows in flow lines the price of raw and the price of refined sugar for the years 1913, 1914, 1915, 1916, and 1917, exactly as both prices operated under the law of supply and demand; and then I have extended on the chart two prospective lines for the year 1918 as they will appear if food control goes through successfully, and these Hoover contracts which are now being negotiated by the International Sugar Committee are successfully closed.

Senator KENYON. What question are you answering now, Mr. Babst?

Mr. BABST. I was answering Senator Vardaman's question.

Senator KENYON. When mine was answered, I did not want to start off anything else.

Mr. BABST. I should like to present this chart as an exhibit to accompany my testimony.

The CHAIRMAN. Before the chart goes in, I should like to ask you as to the prices which will prevail if all these arrangements are carried out. Does the question of production have anything to do with what those prices will be? As to the future, that is an anticipated price, an anticipated arrangement. Will the question of production have anything to do with it?

Senator VARDAMAN. I wish, before you ask that, you would let me follow that up with a question.

The CHAIRMAN. I will withdraw my question.

Senator VARDAMAN. No; I want him to answer it later, but I asked if the supply was not now greater than usual, a little above the normal. You say it is not. Is not the prospective supply, the supply coming in from this crop, the crop which is raised this year in Cuba, in excess of the normal supply of 600,000 tons?

Mr. BABST. There is but very little sugar that has been produced so far in Cuba.

Senator VARDAMAN. And I will ask you if that will not affect the price that you speak of that you anticipate will prevail?

(By request, the reporter read the preceding answer of the witness, as follows:)

There is but very little sugar that has been produced so far in Cuba.

Mr. BABST (continuing). And it will not be until after April or May that we will get any accurate gauge on what actually will be produced in Cuba out of this crop. There are many estimates being made, as there are every year, of what that crop is going to be. Last year, for example, an estimate of 3,400,000 tons was made. The actual production was 3,000,000 tons. Everyone estimates on sugar in Cuba just as we do on wheat in this country.

Senator JONES. Who made that estimate of 3,400,000 tons? Willett & Gray, did they not?

Mr. BABST. The estimate I referred to is——

The CHAIRMAN. That has all been put in. It has all been gone over. Every one of those figures has been put in.

Senator JONES. I do not think so.

Senator VARDAMAN. I did not ask for that. I asked——

enator JONES. No; this has not gone in so far as I know as show- what the estimated crop of this year was and what the actual p will be.

he CHAIRMAN. I thought so, but, of course, if you think not, let give it.

enator JONES. No; I do not think it has gone in.

he CHAIRMAN. Would it help you any, Mr. Babst, if I made a gestion?

Ir. BABST. Oh, I know myself.

he CHAIRMAN. Very well. I thought you were looking it up.

By request, the reporter read the unfinished answer of the witness follows:)

he estimate I referred to is——

Ir. BABST (continuing). Is the estimate made by Mr. Himely, a -sugar expert, who is the agent of the Federal Sugar Refining , resident in Cuba. The actual outturn of the crop was slightly r 3,000,000 tons, and it was the largest crop Cuba ever produced. e estimate is like all estimates. There are many estimates. There n estimate made by Guma, another expert; but the thing that has go through the sugar refineries and supply the people is the actual ar, and in these matters, especially in this matter of this inter- ional allocation, we are looking at actual results of crops rather n taking the risk of estimates made so early, so long before the p is made.

enator JONES. I will ask you if Willett & Gray, who seem to be recognized statisticians on this subject, did not on January 18 of s year publish their estimate of 3,400,000 tons for the Cuban crop— e 28?

Ir. BABST. I assume that is entirely correct, but I will confirm it a moment [after examining papers]. The estimate stated by the ator is correct.

enator JONES. And the actual crop was 3,023,000 tons, was it not?

Ir. BABST. That is the actual crop.

he CHAIRMAN. Would it interfere, Senator Jones if at this point ut in the official estimate of the Cuban Government on its crop?

enator JONES. I have no objection at all.

Ir. BABST. The estimate of Willett & Gray, given on October 25, 7, for the present crop now being ground, and which will continue ring the first six months of 1918, is 3,200,000 as against the Himely imate of 3,600,000; so that it is illustrative of the differences of nion in such a matter.

he CHAIRMAN. But the official estimate of last year's crop was 50,000. I want to get those figures in. Do you know what it was? ry well, if you do not know.

Ir. BABST. What you are referring to is the estimate of James L. gers, American consul general at Habana. That is contained in consular reports, I assume. He is a very well-informed man on ban statistics, but he is not a man of the standing of Mr. Guma or . Himely.

he CHAIRMAN. What I had in mind was the official announcement the Cuban Government which was made last March; and as you e not familiar with the figures, I will not interrupt. I will put it from another source.

Senator JONES. So there is no means of knowing definitely just how much sugar will be obtained from Cuba this next year—that is, knowing it at the present time?

Mr. BABST. There is no means of knowing, and there is every reason, well-known to the members of the committee, why the estimate should be a conservative one.

Senator JONES. If you take out of the world market for this year the sugar which is locked up in Java, which seems not to be practically available, state whether or not there is a shortage of sugar as compared with the years prior to last year?

Mr. BABST. There are two kinds of sugar in the world—available and unavailable sugar. As I said the other day, unavailable sugar is like gold that is not mined; but looking entirely to available sugars—by that I mean sugars that are available for the American market and for the markets of the allied countries represented on this international sugar committee—it is a matter entirely of business judgment and estimate.

As to whether the available sugars and the estimated requirements are not within a very narrow range of balance, we, acting as a committee in allocating these world sugars, have held ourselves in a tentative position, with both minimum and maximum allotments, so as to avail ourselves of the knowledge of the outturn of the actual crops as they develop from time to time. The situation is especially affected by this question of tonnage. This is an aside, but it is important, if I may put it in.

Senator JONES. Yes; I should like you to bring in that factor. I intended to specifically refer to it later.

Mr. BABST. I had something figured out here on tonnage. The thing we are trying to do, among other things, is to avoid drawing upon a surplus of sugar in the island of Java about which there is not very accurate or definite information, so far as amount is concerned. This sugar in Java is not available to the United States. Great efforts have been made to move that sugar, but a ship containing Java sugar has not nosed into an American port for many, many months. The Royal English Commission on the sugar supply have bought these Java sugars, and have from time to time moved them both to England and to France; but the burden of tonnage to make this long voyage is so great that they are making every effort, and one of the purposes of this international sugar committee, acting as a convention of all these Governments, is, to avoid the use of tonnage in this long haul. It takes 150 days for a ship to go from the United Kingdom to Java and return, counting in the loading and discharging at both ends, and traveling at the rate of 200 miles a day. A ship traveling from New York to France at 200 miles a day takes 50 days for the round trip; so that a ship can make three trips from New York to France and return while it is making one trip from the United Kingdom to Java and return.

Senator KENYON. Can a ship make that time now to France?

Mr. BABST. They have to go around the Cape of Good Hope. The Mediterranean is closed to commercial shipping, otherwise the trip would be shorter.

Senator KENYON. I thought you said from New York to France.

Mr. BABST. Oh, the trip from New York to France, yes.

Senator KENYON. Can it be made in that time?
Mr. BABST. It can be made in that time now.
The CHAIRMAN. That is about 10 miles an hour, is it not? A etty good speed.
Mr. BABST. That is at the rate of 200 miles a day. These are cargo ps.
Senator VARDAMAN. Sailing ships, are they?
Mr. BABST. No; they are steamships; 200 miles a day for a cargo p of 4,000 tons burden. Now, the object of the allies is to avoid iling sugar from Java to Europe, and they are asking Cuba and United States to supply them with sugar to take its place.
Senator JONES. I will ask you——
Mr. BABST. May I finish this? It is quite illustrative.
Senator JONES. Yes.
Mr. BABST. The United States is making every effort to comply h this request, for the very interesting reason that a 4,000-ton p, which is the ordinary cargo ship, will carry 1,000 men; and erefore if we could save the United Kingdom or the allies from nsporting 400,000 tons of Java sugar, which is a very small part their requirements, from Java to the United Kingdom, which uld require 100 ships, we would release for the American Govern- nt these same ships, or we would save for the use of the American vernment these same ships, which could take 300,000 men of our my from the United States to France.
The CHAIRMAN. You know, while you are giving those figures, t outside of Java, there is this year as much sugar available as re was last year, lacking some 16,000 tons, according to the best imates, do you not—leaving Java sugar right where it is?
Mr. BABST. I do not. That is entirely a question of judgment and opinion.
The CHAIRMAN. I will ask you if that is not what is shown by llett & Gray's figures?
Mr. BABST. I am referring to matters within my knowledge as a mber of this international sugar committee, where this matter s received a great deal of attention.
The CHAIRMAN. Have you any knowledge superior to that of Wil- t & Gray?
Mr. BABST. On many things I think I have.
The CHAIRMAN. And yet you did not even know a while ago how ny thousand tons of sugar might have been held last year or might w be held over here in California.
Mr. BABST. I did not so state.
The CHAIRMAN. Just for the sake of getting it in at this point, I nt to say that Willett & Gray, which I have here before me, show e following conditions: This year's crop, the world's supply, is 770,250 tons. Java, 1,800,000 tons. Deducting that from the rld's supply leaves a world's supply for 1917–18 of 14,970,250 s. For the year 1916–17—that is, last year—the world's supply s 16,582,234 tons. The Java supply was 1,596,174 tons, which, ng deducted, left 14,986,160 tons. In other words, there were, in und numbers, 16,000,000 tons difference between the two crops. ese figures omit the Teutonic powers, a part of Europe which is t out.

Mr. BABST. I assume your calculations on the figures of Willett & Gray are entirely correct.

The CHAIRMAN. We got along last year on the sugar available.

Mr. BABST. That is not the question this year at all, and I am very certain the figures given by Willett & Gray as to the Java crop are not correct—that is, for 1917.

The CHAIRMAN. That does not make any difference if we can not get it, anyway.

Mr. BABST. It does not. I do not know just where I am with your question, Senator Jones.

The CHAIRMAN. I can tell you. You were discussing the question of how many boats it would take to haul American soldiers over to Europe, and just what question Senator Jones asked with reference to that I have no knowledge. I did not hear any such question. Senator Jones, I beg your pardon, but I want to clear that up.

Senator JONES. It is perfectly right, provided the committee does not get impatient with the delay. I am very patient myself, but I am willing to have all of these interruptions.

The CHAIRMAN. I do not want to interfere with your discussion of the matter at all.

Senator JONES. You say, Mr. Babst, that the supply and demand, so far as you can estimate, of the incoming crop of sugar for the next year is very evenly balanced. I mean that the demand for actual consumption is very evenly balanced with that of the supply. Is that so?

Mr. BABST. The whole law of supply and demand in sugar is suspended in all of the allied countries, with the exception of the United States, where it is in process of being suspended. Therefore, by means of regulating the consumption in these various countries, it is possible for the Governments by international arrangements to secure allotments for their Governments sufficient to fill their arbitrarily fixed consumption demands.

Senator JONES. To get at it more accurately, perhaps, I will ask you what is the necessity at this time, and what has there been for some months, for an international commission composed of representatives of this country and of other countries?

Mr. BABST. Such a commission was first established in the United Kingdom, in order to absolutely control by the Government the whole matter of the purchase, distribution, and consumption of sugar, under a very simple royal warrant, with full power to buy, sell, and distribute. This was an effort to overcome the ordinary laws of supply and demand, and it worked partially successfully. However, there were still in the world's markets the other Governments of France and Italy, as well as the United States, and the independent refiners in those countries, which continued the competition with steadily rising prices for raw sugar, as is illustrated in the flow lines on this chart.

Senator JONES. By the way, at this point I shall ask that the chart referred to be considered in evidence.

Senator VARDAMAN. It had better be marked.

(The chart referred to was marked "Babst No. 2, Exhibit No. 58.")

Mr. BABST. This world competition of the allied countries for sugar was brought about by the fact that there is inclosed within

e battle lines of Europe, in round figures, about one-third of the orld's sugar supply, and England had been drawing her supply rom the Central Powers for many years, as well as France, and for e most part was forced to go to Cuba, which was the nearest and uickest market, in order to get their needed supplies. We felt the esults of the invasion of the Cuban market in the United States at nce, upon the opening of the European war, and you will see in is chart marked "Balst No. 2," in 1914 a very sharp advance in e price of raw sugar, and a very sharp corresponding advance in e price of refined sugar to the American consumer by reason of e Royal English Commission on sugar supply purchasing large uantities in Cuba in competition with American refiners.

The CHAIRMAN. I notice this point on the chart is sharp. Does at indicate that the advance occurred in a few days?

Mr. BABST. It indicates an advance within a short time from approximately 3¼ cents a pound for raw sugar to 5¾ cents a pound.

Senator JONES. Is that the price in Cuba?

Mr. BABST. No; this is the duty-paid price in New York.

The CHAIRMAN. I think we better start with Cuba or with New ork price.

Mr. BABST. We have been giving the duty-paid price delivered in ew York for raw sugar from the first and I am now giving the me figures. The advance was from 3¼ cents a pound, New York ity paid, to 5¾ cents a pound.

The CHAIRMAN. Won't you let me interject a question right there? see that point is very sharp on the chart. Does that indicate that ose high prices were only maintained for a very short time?

Mr. BABST. It does.

The CHAIRMAN. And that is the high mark that was reached?

Mr. BABST. Yes.

The CHAIRMAN. Probably for a day or upon some one purchase?

Mr. BABST. Oh, no; the high mark prevailed for a short time, but receded after England had secured the supplies which she started t to purchase.

The CHAIRMAN. It all happened in one month, and it is indicated r a small part of that month. However, we shall get the tables d that will be better.

Mr. BABST. That would be better. After a natural recession, this w line of raw-sugar prices in Cuba has been steadily advancing ring the years 1915, 1916, and 1917, up to the beginning of the ar 1918, with corresponding increases in the price of refined sugar.

Senator JONES. I would like now to recall the question again and e if you have anything more to add to your answer.

(The question was repeated as follows:)

To get at the point more accurately, perhaps, I will ask you what is the ressity at this time, and what has there been for some months, for an interational commission composed of representatives of this country and of other untries?

Mr. BABST. Coming back to the question more directly, I should y that the dislocation of the world's sugar markets, the necessity r conserving tonnage, and the violent advances in the price of raw gar under the law of supply and demand have finally resulted in e suggestion for the formation of an International Sugar Commit-

tee, which, by combining the purchases of all of the competing nations party to it would substitute regulation and stablizing and lower the prices rather than the law of supply and demand. It is entirely evident by past experience that without such regulation the price of raw sugar undoubtedly would continue to advance, and correspondingly increase the price of refined sugar not only to the United States but to all of the rest of the allied countries.

The CHAIRMAN. And where you have set it now is way above its average in any other year, is it not?

Mr. BABST. That is perfectly true—no, not above the average of every other year.

Senator VARDAMAN. The average of a period of years would be the proper question.

The CHAIRMAN. I will take the average of any year; give the highest there is in the last 20 years.

Mr. BABST. The place where regulation will put it is a marked halting of a steadily advancing price of raw sugar ever since the European war broke out.

The CHAIRMAN. Is it not higher where you have put it than it has averaged in any other year?

Mr. BABST. I have not made——

The CHAIRMAN. Look at your own map.

Mr. BABST. On my own map it shows it is considerably lower than the average would be for the past year, 1917.

The CHAIRMAN. Do you say that, taking the whole sugar supply in America?

Mr. BABST. I do, without having made a critical examination of the subject, being guided by the chart which speaks for itself.

Senator JONES. It would not miss it so very much on the year 1916.

Mr. BABST. It is very close to the year 1916.

The CHAIRMAN. Very well, we will get the prices and have them actually.

Senator JONES. If the United States had not joined in an international committee for regulating the supply of raw sugars, what would have been the effect, in your opinion, upon the price of raw sugar during the coming year?

Mr. BABST. So far as one can look into the estimates of available sugars of the world, the competition between the United States and the refiners acting independently, and the allied countries, would have resulted in suddenly increasing the price of raw sugar and of steadily correspondingly increasing the price of refined sugar. I think that is the opinion, so far as I know, of the sugar industry, so far as it has been disclosed to me.

Senator JONES. Let me ask you a further question. Assuming that it is advisable to allot the Cuban sugars and other world sugars outside of the United States, between the United States and the European allies, would it be practicable to allot that sugar without in some way regulating or arranging so that the price would be common to the refiners of the United States? How would you handle an allotment to the United States unless there were a common price among the refiners for that allotment?

Mr. BABST. Oh, it would be extremely difficult, and largely impracticable. So far as the opinion of the sugar industry is con-

rned, the terms have been worked out by the Food Administration
ter consultation with every man who is familiar with sugar con-
tions in this country, with all of the refiners, and it has resulted
this voluntary contract which has been signed by every cane-
gar refiner in the United States, and they approach that whole
atter with a spirit of cooperation which is worthy of credit to
e industry.

The CHAIRMAN. That was purely voluntary?

Mr. BABST. The contract was purely voluntary.

The CHAIRMAN. Don't you know, as a matter of fact, that these
en were brought to Washington and practically told that they
d to enter into these agreements?

Mr. BABST. They were not. I was present at every word that was
d. My own companies acted absolutely voluntarily and we are in
ll sympathy and accord, and for many months I personally have
en suggesting some plan which would accomplish this end, be-
use it was perfectly evident that this country had to adopt in the
rld war conditions the same methods and means that worked out
ccessfully in other countries.

Senator JONES. What, in your opinion, has been the effect, so far
the prices to the consumers in the United States are concerned, of
at has been done in an international way and in a national way,
far as the United States is concerned?

Mr. BABST. These charts—and I wish to have them all marked as
hibits in connection with my testimony—show conclusively that
ce the very day that the food-control act was passed on August 10
ere has been a continued and actual decline both in the price of
w and of refined sugars, until the industry now has substantially
justed itself in this country in preparation for the new prices
ich will prevail under this interallied governmental contract.

(The charts referred to by the witness were marked "Babst No. 1,
hibit No. 57," to "Babst No. 5, Exhibit No. 61," inclusive.)

Senator VARDAMAN. Senator Jones, may I ask a question just at
s point?

Senator JONES. Certainly.

Senator VARDAMAN. In the administration of this law have all of
e refineries enjoyed equal opportunities in the allocation of the
gar?

Mr. BABST. They have.

The CHAIRMAN. And of the other sugars that come into the United
ates?

Mr. BABST. They have. The contract which has been signed by
of these refiners provides for the appointment of the com-
ttee——

Senator VARDAMAN. I recall the contract; but I want to know in
e operation of it whether all of the refiners have had an equal
portunity.

Mr. BABST. They have had absolutely equal opportunity, and they
re it in the apportioning of the sugars.

Senator VARDAMAN. Have some of the refiners been able to secure
gar and continue their operations where others have been compelled
close down?

Mr. BABST. They have not, unless they did not wish to take the sugars. The sugars have been fairly and equally apportioned among the various refiners and by the refiners themselves. The supplies were so small——

Senator VARDAMAN. No international or national organization engaged in refining sugar has obtained advantage over any other member of the organization?

Mr. BABST. None whatever; and I think I could say unqualifiedly that all the refiners of the United States, if called to this room, would say so, with the single exception of which we have spoken and which has been spoken of heretofore.

Senator JONES. In that connection let me call your attention to a point that was made by Mr. Spreckels. He undertook to leave the impression, as I understood it, that if he had been permitted to bid a little higher for Cuban sugar his factory would not have closed and that he could have relieved the sugar shortage. I wish you would state what, in your opinion, would have been the effect of permitting him to bid higher for Cuban sugar at the time he referred to. State what effect that would have had on the price of sugar and how much he probably would have obtained, and so on.

Mr. BABST. He would have obtained very little more, if any, sugar, and I doubt whether he would have obtained as much as he actually has obtained and which has been allotted to him by the committee of which he himself is a member. There was no available raw sugar to supply the American refineries. The supplies were gone, and these refineries closed down because there were no supplies, no available supplies. The supplies that would ordinarily have come to this country had gone to Europe.

The CHAIRMAN. If that is true, why did Mr. Hoover, and I think your committee, issue an order that there should be no more sugars purchased in Cuba?

Mr. BABST. Because under the law of supply and demand——

The CHAIRMAN. The law of supply and demand has nothing to do with it. You have said that there were no sugars, and if there were no sugars, why did you issue an order to people that they should not buy something that did not exist?

Mr. BABST. I will ask the reporter to repeat my last answer.

(The answer of the witness was repeated as follows:)

He would have obtained very little more, if any, sugar, and I doubt whether he would have obtained as much as he actually has obtained, and which has been allotted to him by the committee of which he himself is a member. There was no available raw sugar to supply the American refineries. The supplies were gone and these refineries closed down because there were no supplies, no available supplies. The supplies that would ordinarily have come to this country had gone to Europe.

Mr. BABST. I mean no supplies to speak of—a few thousand tons.

The CHAIRMAN. If it did not amount to anything, what difference would it make if somebody had purchased it. Why this order?

Mr. BABST. Because the effort to get those few supplies would have raised the price of raw sugar, and would have raised the whole market, in order to have purchased a few tons of raw sugar. It would have raised it to an unnecessarily high price.

The CHAIRMAN. How could it do that, when it was all under con-
ol, when your committtee controlled the world market and supplies.
you have said? And you afterwards did raise the price?
Senator JONES. What I was trying to get at is what would have
en the effect of his unrestrained action, if he had not submitted to
hat the committee was trying to do?
Mr. BABST. I think I have answered that.
The CHAIRMAN. Suppose we take a recess at this point until 2
clock?
Senator KENYON. Can we not finish with this witness?
Mr. BABST. I would like very much to finish my testimony.
Senator VARDAMAN. How much more have you got to say?
Mr. BABST. I am practically through.
The CHAIRMAN. The committee will take a recess here until 2
clock.
(Thereupon at 1 o'clock and 50 minutes p. m., the committee took
recess until 2 o'clock p. m.)

AFTERNOON SESSION.

At 2 o'clock p. m. the subcommittee assembled, pursuant to the
king of the recess.

ESTIMONY OF MR. EARL D. BABST, PRESIDENT OF THE AMERICAN SUGAR REFINING COMPANY, NEW YORK CITY.

Senator JONES. I will ask you to state what effect, if any, the regu-
tion or arranging about the price of raw sugar and granulated
gar has had upon the profits of the refiners?
Mr. BABST. The effect has been to fix a maximum of profit beyond
hich they can not go, by fixing a maximum margin between the
asic price of raw sugar as determined by the international sugar
ommittee and the price for granulated sugar?
Senator JONES. Then, this differential of $1.30 is not to fix one,
ut a maximum beyond which the refiner may not go.
Mr. BABST. He may make no profit beyond the profit which he
ould get within the margin of $1.30.
Senator JONES. In other words, if he chooses he can offer it at a
ery much less differential, or without any differential?
Mr. BABST. He can operate within that margin under any con-
itions or in any way that he sees fit to pursue or continue.
Senator JONES. State, if you can, how this differential compares
ith the margin of profit which was being made by the refiners, or
ny of them such as you have information about, prior to the time it
as fixed.
Mr. BABST. Oh, it is very much less than the margin of almost
l the refiners during the year 1917.
The CHAIRMAN. May I interject there to ask what their margins
rdinarily have been?
Senator JONES. Certainly.
The CHAIRMAN. At the conclusion I would like to have him state
hat the margins were during 1917, beginning with his own
ompany.

Mr. BABST. I have a compilation here of the time rated average, reading as follows:

The refiner's average prices, January 1 to October 1, 1917, in cents per pound net cash, fine granulated sugar, selling price based on refiner's price list each day, whether selling or withdrawn. Where no list price is given, their previous list price is used. This table shows, under the three heads of "granulated," "raw," and "margin," the following results:
American, 1.210.

The CHAIRMAN. That is the price——
Mr. BABST. That is margin.
The CHAIRMAN. Between the cost and the selling price?
Mr. BABST. As shown by Willett & Gray.
The CHAIRMAN. That corresponds to this 1.30?
Mr. BABST. Yes; that is right.

American, 1.210; National, 1.315; Warner, 1.444; Arbuckle, 1.518; Federal, 1.662.

This is the only compilation that I have, because it represents the refiners whose prices are charted on chart marked "Exhibit No. 60.55

I wish to state that these tables have been made up here in Washington, and we desire the opportunity to check them up very carefully and to make any corrections which we might find, and I want also to state that similar margins could be obtained for all of the refiners of the country.

The CHAIRMAN. If you will pardon me, just to complete that before we pass from it. You have given these figures from the 1st of January, 1917, to the 1st of October, 1917. I wish you would give us similar figures for the whole of the year 1916 and also for the year 1915. I think that is far enough to go back. I wish you would also give us these figures for all of the refiners.

Mr. BABST. I would be very glad to have such a table prepared.

Senator JONES. And I assume that it may be inserted when it is brought in.

The CHAIRMAN. Yes; except that I wish you could have it by tomorrow night.

Mr. BABST. You do not know what a big thing you have asked for.

The CHAIRMAN. I thought, in view of the fact that you had compiled this statement here in Washington, you could perhaps do the other.

Mr. BABST. Oh, no; that was only from these charts and what we have here.

The CHAIRMAN. Have not these figures all been prepared by the statisticians who keep track of the sugar business?

Mr. BABST. Not in any such manner as that.

The CHAIRMAN. Very well.

Senator JONES. I will ask you to state what has been done under this so-called food-control law as pending to diminish the supply of sugar or otherwise to the American consumers.

Mr. BABST. The law has not had the slightest effect in diminishing the supply, so far as American consumers are concerned. The acts of the food administration under the law, by means of embargo and requisition, have increased the supply many thousands of tons.

The CHAIRMAN. Where from?

Mr. BABST. As I testified this morning, by preventing sugars leav-
g the country for neutral countries and by requisitioning sugar to
e extent of something like 16,000 tons, sold for Russia but in this
untry undelivered this fall.
The CHAIRMAN. How long would 16,000 tons last, now—as long
the proverbial snowball?
Mr. BABST. No; at our normal rate of consumption it would last
day and a half.
Senator JONES. For the entire country?
Mr. BABST. For the entire country.
Senator JONES. What effect did the closing of the Sugar Exchange
ve upon retail prices or wholesale prices in this country?
Mr. BABST. All of the acts, the passage of the food-control act,
d the various steps taken by the food administration, which nat-
lly included the Sugar Exchange, all resulted in decreasing the
ice of all grades and kinds of raw sugar and refined sugar and
urning them to nearer normal conditions, retail as well as whole-
e.
Senator VARDAMAN. Did I understand you to say, Mr. Babst, that
e speculating in sugar on the exchange has resulted in raising the
ce?
Mr. BABST. It has moved, naturally, both ways.
Senator VARDAMAN. You stated that closing the exchange prob-
y resulted in a decline in the price. Now, is it always used to
se the price?
Mr. BABST. Not always; no. It is like any other exchange where
y are dealing in things—grain or cotton or anything else.
Senator VARDAMAN. That is what I thought.
Senator JONES. Considering the sugar supply at the time this par-
ular exchange was closed, what, in your opinion, was the effect
closing the exchange?
Mr. BABST. It was a salutary effect. It presented the opportunity
further speculation at a time when there was a great rise in the
rket and under feverish conditions.
Senator VARDAMAN. That is true of all exchanges, is it not?
Mr. BABST. It is true of all exchanges.
Senator VARDAMAN. I think that is true. I am in favor of closing
m all, including the cotton.
Senator JONES. It has been stated here that there is a shortage of
gar at the present time on the Atlantic seaboard. I wish you would
te, briefly, what, in your opinion, is the cause of this particular
rtage?
Mr. BABST. First, is the very largely increased consumption of
country, for the reasons I stated this morning; and, second, is
lateness and delayed distribution of our domestic beet sugars and
uisiana cane sugar, largely caused by car shortages and freight
gestions. The eastern seaboard ordinarily is a cane-sugar country
receives all of its supplies from the cane refineries. On the east-
seaboard, generally speaking, there is located half of the popu-
ion of the United States—in other words, about 50,000,000 peo-
—and that part of the country is always supplied by these great
e-sugar refineries on the seaboard, who draw their supplies almost

exclusively from Cuba. This year for these months there were no supplies in Cuba. Those supplies were moved across the ocean and are now across the ocean.

Senator JONES. All of the Cuban sugar which has been available has found its way into this market or into the consumptive market?

Mr. BABST. Cuba has been drained of sugar as never before in its history. It happened in Cuba, as usually happens when stocks are completely liquidated, that the statistics which had been relied upon to represent conditions there did not completely check out with actual stocks; just as the invisible supply of wheat was greater than shown by statistics at the time of the Leiter wheat corner in Chicago and broke that corner, so when Cuba liquidated raw sugar stocks there were not as many there as statisticians had talked about.

Senator JONES. At the time of the closing down of the refineries in October of this year, what was the then estimated supply of sugar yet remaining in Cuba?

Mr. BABST. There were a great many estimates. The one that I most frequently have referred to is the 70,000 tons. We know there was no such amount of sugar in Cuba. This market obtained all of the Cuban sugar that was possible to obtain.

Senator JONES. How much has been actually obtained, if you know?

Mr. BABST. I think the best way to answer the question is to submit a memorandum of the purchases and allocations of sugar by the international sugar committee from September 27 through December 10, 1917.

Senator JONES. You have such a table prepared, have you?

Mr. BABST. I have just been handed such a table. All of this sugar has been allocated by the American refiners' committee and not by the international sugar committee, for the reasons I explained yesterday, as there was so small a supply that we desired the refiners themselves to decide the division of the few thousand tons there were to be divided.

Senator JONES. I will ask that that table be put in the record.

The CHAIRMAN. May I see it, so that I can catch the thought? I am not objecting to its going in. I missed a question. I was reading from the pamphlet.

Mr. BABST. This table includes, I notice, some Philippine Island sugar, which, of course, is without the province of the contract which was arranged for by the committee in order to get hold of every ton of sugar possible.

The CHAIRMAN. Who prepared this table?

Mr. BABST. Our information is that it was prepared at 111 Wall Street, probably by the controller, a Dr. Marshall, who is there.

The CHAIRMAN. Controller of what?

Mr. BABST. Controller of the international sugar committee—a Dr. Marshall, who has been placed there by the Food Administration as statistician and controller.

The CHAIRMAN. I just wanted to know who had prepared it, so that if we wanted to ask any questions about it we could get the author. That is all right. Let it go in.

(The table referred to is as follows:)

EXHIBIT No. 62.

Purchases and allocation of sugar by the International Sugar Committee, December 10, 1917.

Date.	Amount.		Kind.	Price.	Allotment.
	Bags.	Tons.			
Sept. 27	5,000	714	Cuba, 96°	5¼ c. & f.	Warner.
28	5,000	714	do	do	Do.
Oct. 1	15,000	2,142	do	do	Do.
3	10,000	1,428	do	do	Federal.
4	5,000	714	do	do	Do.
8	5,000	714	do	do	Do.
15	13,300	1,900	do	do	Do.
18	31,700	4,528	do	do	American Sugar Refining Co.
18	.....	1,500	Peru, 96°	do	1,163 American Sugar Refining 300 Warner.
22	674	96	Cuba, 96°	do	American Sugar Refining Co.
22	740	34	Surinam, 89°	5¼ duty paid, American Sugar Refining Co.	
22	700	35	Venezuela, 89°	do	
23	10,000	1,428	Cuba, 96°	5¼ c. & f.	McCahan.
23	.....	700	Philippine Islands, 96°.	6.90	3,735 American Sugar Refining. 2,517 Federal.
24	.....	7,420	Philippine Islands, 89°.	5.75 (6.90 basis)	1,368 Warner.
Nov. 2	806	120	Cuba Mols., 89°	4¾ c. & f.	American Sugar Refining Co.
14	.....	2,200	Peru, 96°	5¼ c. i. f. (6.881 duty paid).	Canada.
14	.....	425	Cuba, 96°	5¾ c. & f. (6.90 basis)	American Sugar Refining Co.
14	.....	1,000	Philippine Islands, 96°.	6.90	568 American Sugar Refining Co., 432 Warner.
14	.....	700	do	6.90	American Sugar Refining Co.
14	.....	100	Venezuela, 89°	5.75 duty paid	Do.
15	.....	725	Cuba, 96°	5¾ c. & f.	Warner.
15	.....	2,715	do	do	Federal.
15	.....	450	Demerara, 95°	5.644 c. i. f.	Canada.
15	120	12	Surinam Mols., 89°	5¼ duty paid	American Sugar Refining Co.
16	1,550	221	Cuba, 96°	5¾ c. & f.	Do.
19	7,825	625	Venezuela, 96°	5.644 c. i. f.	Warner.
20	215	12	Costa Rica, 89°	5¼ duty paid	American Sugar Refining Co.
20	.....	500	Peru, 96°	5¼ c. i. f.	Do.
20	2,386	343	Cuba, 96°	5¾ c. & f.	Do.
20	1,773	250	do	do	Warner.
21	.....	100	Brazil, 89°	4 11/16 c. i. f.	American Sugar Refining Co.
23	.....	3,500	Porto Rico, 96°	5.90 c. i. f.	Arbuckle.
27	.....	80	Surinam, 89°	5¼ c. i. f.	Federal.
28	.....	3	Peru, 96°	6.88 duty paid	American Sugar Refining Co.
30	275	40	Santo Domingo, 96°	5¼ c. i. f.	Warner.
30	20,000	2,857	Cuba, 96°	5.70 c. & f.	American Sugar Refining Co.
Dec. 5	6,205	500	Venezuela, 96°	6.90 duty paid	Warner.
5	1,800	257	Cuba, 96°	5.70 c. & f.	Do.
5	70	10	do	5.70 duty paid	Do.
6	250	35	do	do	American Sugar Refining Co.
6	322	46	Santo Domingo, 89°	4.50 c. & f.	Do.
6	.....	900	Peru, 96°	5 7/16 c. i. f.	Canada.
10	15,000	2,142	Cuba, 96°	4.90 c. & f.	Not yet allotted.

Senator JONES. Now, Mr. Babst, I want to get some information regarding the beet sugar industry. Did I understand you to say that you had no personal knowledge of that industry?

Mr. BABST. I have none at all of the beet sugar industry.

Senator JONES. Who in connection with your company, or any other company for that matter, has information regarding the supply of beet sugar and the prices at which it has been marketed, how it has been marketed, and the method of dealing with the beet growers, etc.?

Mr. BABST. Nobody connected with our company has any such knowledge. I would suggest that the Beet Sugar Distributing Committee, if that is its proper name, which has its headquarters at Chicago, would be as good a source of information for that purpose as you could find.

Senator JONES. Is there anyone present here in connection with this hearing from that committee?

Mr. BABST. I see no one that I know has any connection with that committee.

Senator VARDAMAN. May I ask a question just at that point? Does not your company own a number of the beet sugar mills?

Mr. BABST. We do not. We merely have an investment interest in six companies, just as we might have an investment in the Pennsylvania Railroad.

Senator VARDAMAN. Have you no directors on the boards?

Mr. BABST. We have none.

Senator VARDAMAN. No connection with the management?

Mr. BABST. No connection with the management or voice in their affairs directly or indirectly.

The CHAIRMAN. And never did have?

Senator VARDAMAN. Do you know of your own knowledge anything about the relative price of beets and the manufactured product?

Mr. BABST. I do not.

Senator VARDAMAN. Do you know whether there has been any rise in the price of beets as sugar has gone up?

Mr. BABST. Do you mean the beet root?

Senator VARDAMAN. The beet root; yes.

Mr. BABST. I do not; no.

Senator VARDAMAN. You have no information?

Mr. BABST. None whatever about that branch of the sugar industry.

Senator VARDAMAN. That is all.

The CHAIRMAN. Let me ask the question I asked a moment ago. You say that your company has no connection with the management of any of the beet sugar companies; that you simply have an investment interest. Has that been true of your company always?

Mr. BABST. It has been true all during my presidency of the company, and it was explained to me when I came into office that that had been the policy of the company for some years past.

The CHAIRMAN. Notwithstanding that, the United States Government then and now is prosecuting a suit in which it charges that there was a control and combination and a violation of the trust act.

Mr. BABST. That suit was filed in 1910, and almost all the facts in that suit are now stale.

The CHAIRMAN. Still, the suit is going on?

Mr. BABST. The suit is going on. It has never had a hearing. It is pending in the courts under order that the court will not hear it until the United States Supreme Court has decided the United States Steel and the International Harvester cases.

Senator KENYON. The evidence has all been taken?
Mr. BABST. It was taken some considerable time ago.
The CHAIRMAN. It is not very long ago, is it, since you quit?
Mr. BABST. It was before I came into the company.
The CHAIRMAN. All right.
Senator JONES. Mr. Babst, you have referred to some charts here. wish you would state what those charts are—I mean, those that ve not been offered for the record.
Mr. BABST. I will now state, in order to——
Senator JONES. Just refer to those that have not been offered for e record. I think we have sufficient explanation of those, except want to ask you one question regarding the exhibit known as bst No. 1, Exhibit No. 57. I notice in that chart a break in some es there. I wish you would state what that break represents.
Mr. BABST. That means that on that particular day and for that rticular space of time the refiner was not offering sugar for sale. other words, he was withdrawn, which means that he already had cumulated all the sales that he desired to have to cover a con- erable period for future delivery.
The CHAIRMAN. Or that he was out of sugar?
Senator JONES. Not assuming that it was done in any of the cases presented by that chart, I will ask you if that is not one way by ich the market price may be manipulated by the refiners with- awing from the market?
Mr. BABST. Well, it might; it might not be. Under the operation an open, free market under the law of supply and demand, a iner very often advances his price and withdraws at the same e in order not to take more business. He sometimes does it and l stay out of the market a few days and go in at the price at ich he withdrew. It depends upon the conditions of the raw-sugar rket as to what determines the price of refined.
Senator JONES. Now, refer to these other charts which have not n offered in evidence and tell us what they are.
Mr. BABST. To make certain that they are all in evidence, at the uest of the reporter, I should like to present a chart showing nestic——
Senator JONES. Those that are in evidence have been marked by reporter already.
The CHAIRMAN. The request of the reporter?
Senator JONES. The reporter asked that they be listed.
Senator VARDAMAN. He wants to protect himself.
The CHAIRMAN. They have already been offered. There is chart . 1, Exhibit No. 57, already identified. I do not care, only let us through with it. The thing has been in once, and carefully ntified and carefully marked.
Senator VARDAMAN. That is all he wants.
Mr. BABST. I am only doing what the reporter requested.
Chart showing domestic net cash price of the American Sugar ining Co. and various competitors and price for raw sugar since uary 1, 1917, marked "Babst No. 1," Exhibit No. 57.
Market quotations, raw sugar and refined granulated sugar, years 3, 1914, 1915, 1916, 1917, 1918, containing and showing refining ference, and for the year 1918 under Hoover contracts proposed by ernational agreement, marked "Babst No. 2," Exhibit No. 58.

Chart comparing net cash selling prices for fine granulated of the American and Federal Sugar Refining Companies, 1917, marked "Babst No. 3," Exhibit No. 59.

The CHAIRMAN. Let me see that one, will you not? Is it marked in that way? [After examining chart.] Yes; it is already marked.

Mr. BABST. Chart showing refiners' first asking new price, 1917, marked "Babst No. 4," Exhibit No. 60.

The CHAIRMAN. Now, wait just a moment before these go in. I submit to the committee that here is a chart in which the prices of the American Sugar Refining Co. and the Federal Sugar Refining Co. are put in comparison. It might be of use to the American Sugar Refining Co. to be able to quote from a Federal document, but I do not see that this committee is interested in those two prices—the prices that those two companies have charged. Do you think we are?

Senator JONES. In view of what Mr. Spreckels testified to, or, rather, the innuendoes of his testimony—he undertook to leave the impression, as I followed him, that Mr. Babst was using his official position to make money out of the sugar market—I think that has a tendency to answer that suggestion.

The CHAIRMAN. I do not think that there is any dispute. The prices that these companies have charged for sugar are shown by the tables; and when Mr. Spreckels was asked if at certain times his sugar had not been higher than certain prices that had been charged by the American Sugar Refining Co. he said they had been. When he was asked if he had not sometimes withdrawn from the market, he said he had, and gave his reasons for it. Constantly Mr. Babst seems to be wanting to try the issue before the American people whether his concern has been the better friend of the American people and more liberal to the American people than any other company. I do not think we are interested in that.

Senator JONES. I do not think we are interested in it further than the imputation which has arisen on this hearing; but it seems to me that here is a public official, who is before us as a witness, and there has been an insinuation of that character, and I think it is important that this committee know, if that is the fact, to what extent it has been done; and if it has not been done——

Senator VARDAMAN. Here is the point about that, Senator, if you will pardon me: Suppose he should show there that the American Sugar Refining Co. had sold sugar cheaper than Mr. Spreckels; is that any evidence that they both did not get more than they are entitled to?

Senator JONES. The proposition that has come in here is that this official has been using his position for his personal advantage, and I think that chart tends to contradict that suggestion.

The CHAIRMAN. He did not take this position, as I understand, until what month? When was it, Mr. Babst, that you took the position that you now have?

Senator VARDAMAN. That, however, is shown along with the other testimony.

The CHAIRMAN. I know, but let us see about this just a moment. Do you not remember the date, Mr. Babst, when you became a member of this international committee, approximately?

Chart comparing net cash selling prices for fine granulated of t American and Federal Sugar Refining Companies, 1917, mark "Babst No. 3," Exhibit No. 59.

The CHAIRMAN. Let me see that one, will you not? Is it mark in that way? [After examining chart.] Yes; it is already marke

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— Chart Comparing Ne
of The American A

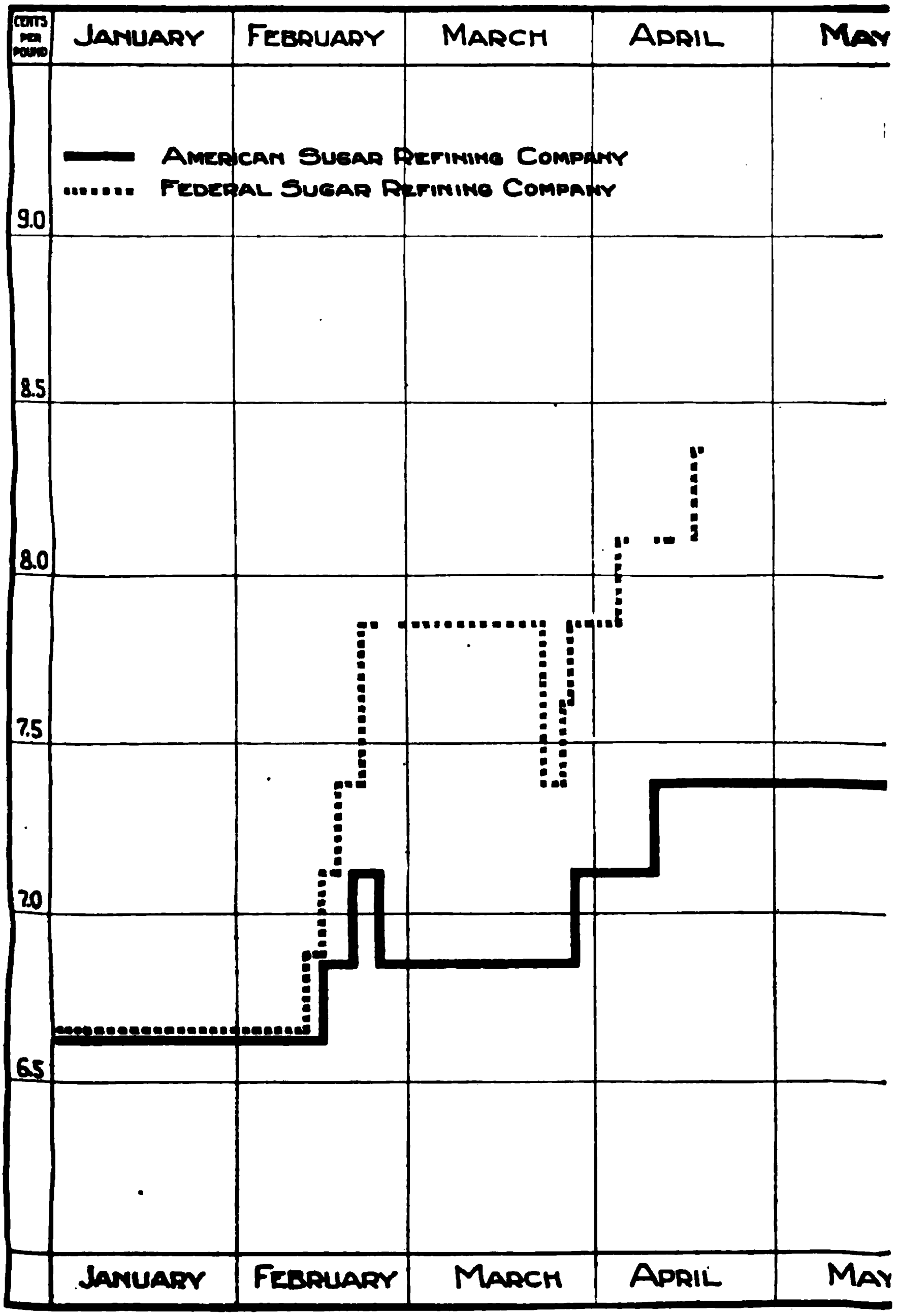
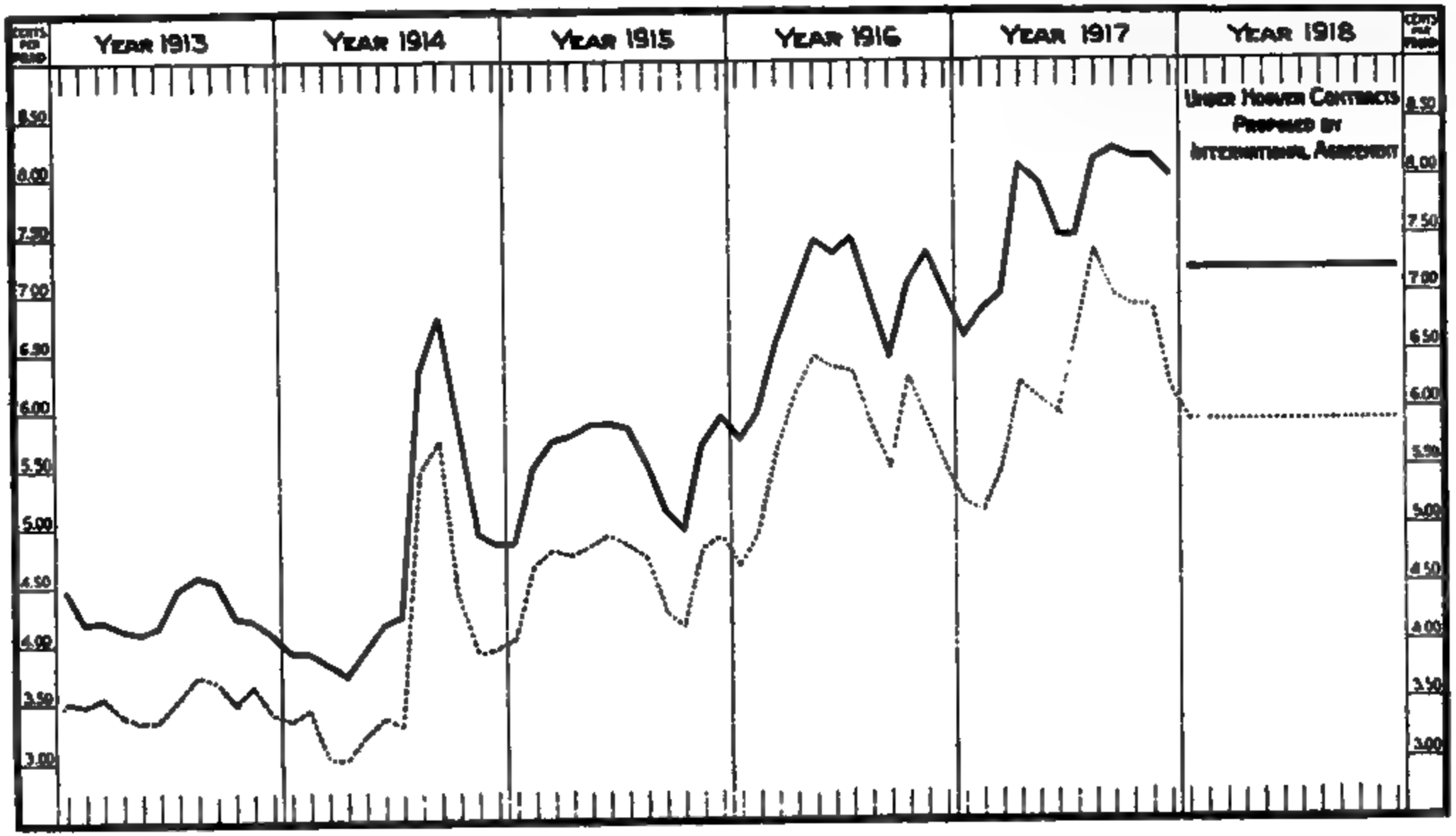


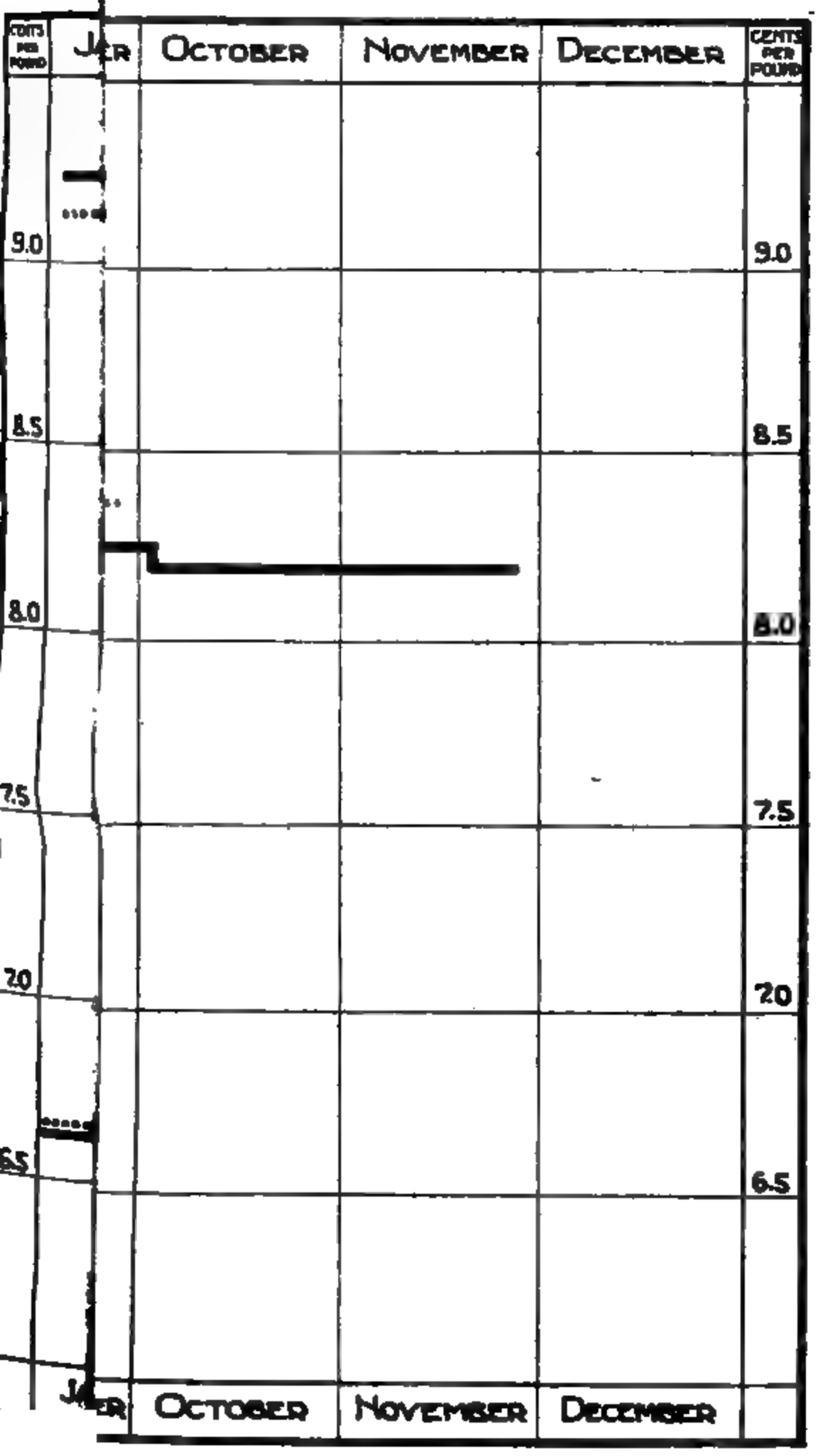
EXHIBIT NO. 28

MARKET QUOTATIONS - RAW SUGAR AND REFINED GRANULATED SUGAR - YEARS 1913, 1914, 1915, 1916, 1917, 1918 - COMPARING AND SHOWING REFINING DIFFERENCE

RAW SUGAR ..... REFINED GRANULATED ——



FINE GRANULATED
PANIES - 1917 -



Mr. BABST. I testified that I did not have my commission with me.
The CHAIRMAN. Oh, approximately is all I want.
Mr. BABST. But the announcement was made on September 20,
5.
The CHAIRMAN. If you will notice this chart, Senator Jones, you
see that all of it, except a very small part, applies to other
nths, before he took his official position.
Senator JONES. Yes; that is very true.
The CHAIRMAN. Therefore it can not answer the purpose that you
gest. Now, the reason I object——
Senator JONES. I think it does in this respect. It shows a condi-
which existed before as continuing after the appointment.
The CHAIRMAN. The reason I object is this: I do not care to
nto the controversies between what is commonly called the Sugar
st—I will call them one sugar faction—and what have been com-
ly called the antagonists of the trust. I do not care to go back
show what sugar prices were. I do not think the committee
ts to go into that, nor what the sugar conditions were at the time
Spreckels created his independent company, nor all of the long
pters incident to a battle between the trust and the independ-
companies led by Mr. Spreckels. That is a very interesting
y, but it certainly is not very pertinent here.
ow, we are consuming time. The only thing I object to is this:
parte charts are prepared for the purpose, undoubtedly, of put-
into advertising matter hereafter and saying: "From Senate
cument so-and-so the following chart is taken." Now, I do not
to see the United States Government used for that purpose.
t is all I have to say about it. If you still think it ought to go
I will withdraw my objection to it. I do not think it ought to.
Senator JONES. I am of the opinion that it will serve a better pub-
purpose to have it in than to rule it out.
The CHAIRMAN. Very well; let it go in.
Senator JONES. That is my notion.
Senator KENYON. Is that all now, with the witness?
Senator JONES. There is one other chart.
Mr. BABST. Chart showing refiners' first buying at new raw prices,
r 1917, marked "Babst No. 5," Exhibit No. 61.
Senator LODGE. That simply shows the course of sugar prices?
Mr. BABST. Of raw sugar prices.
Senator LODGE. I think that will be very useful.
Senator JONES. Mr. Babst, here is a document which purports
e a letter to the Senate Finance Committee with statements and
ibits. I do not think this ought to go into the record, but I
nk it ought to be understood that we may refer to it in the same
as that other document, Mr. Chairman.
The CHAIRMAN. And print any part of it we think is pertinent.
Senator JONES. Yes.
The CHAIRMAN. Very well.
Senator JONES. I do not think it ought to go into the record.
The CHAIRMAN. Are there any special pages to which you want to
attention now?
Senator JONES. Not just now.
The CHAIRMAN. Very well.

Senator VARDAMAN. I think that was passed on this morning.

Senator JONES. That was another document.

Senator VARDAMAN. Is that so? I thought it was the same one.

Senator JONES. No; that was another document. The same thing with regard to this pamphlet, gotten out by the company, containing the negotiations with the committee representing the Louisiana planters in the purchase of raw sugar, 1917.

Here is another document. It is addressed to Mr. Hoover. It contains some data and some figures——

The CHAIRMAN. Whom is it by?

Senator JONES. It is by the American Sugar Refining Co. in regard to the Domino granulated sugar packages, and so on. I just want to have that so that we may refer to it for whatever facts we may conclude to gather from it. I do not think it ought to be printed in the record.

Senator VARDAMAN. Mr. Babst is going to furnish a lot of data on that, are you not?

Mr. BABST. Oh, yes.

Senator KENYON. Are you through, Senator Jones?

Senator JONES. Yes.

Senator KENYON. I want to ask Mr. Babst about four questions. I do not want to start anything new.

Mr. Babst, I want to ask you how it happened that so many of your employees were transferred and employed by this international committee?

Mr. BABST. I realized the very great importance of the work ahead of us and talked with my new associates on the committee and suggested that we should take into that building men that we knew, men of capacity, and tried and personally loyal to us. We had had a series of troubles with sugar ship fires, loss of lots of property, and a great many incidental fires, as well as the other matters, which had caused us to guard our properties and everything connected with us with unusual care. We all agreed that that was a proper proceeding to protect ourselves.

Senator JONES. You say "loyal to us." Do you mean the American Sugar Refining Co.?

Mr. BABST. No; loyal to myself personally—men that I knew personally and knew that they were loyal and true to me.

Senator VARDAMAN. Men of long service in the company of which you are president?

Mr. BABST. Men of long service in the company of which I am president. I laid the matter before Mr. Hoover as to whether he agreed or not to such a policy and he approved of it. I then talked with as many of the refiners as I could reach and laid the same matter in the same words before them and asked whether it met with their approval. Among others, I talked with Mr. Spreckels, who said that he would do exactly the same thing if he were in my place. I did take a number of men of that character with me, freely, openly, and in order to give the Government the very best service we had.

Senator KENYON. Were they paid salaries by the Government?

Mr. BABST. None of the men; no one connected with the International Sugar Committee is paid any salary from the Government. All the expenses of this committee are provided under the contracts

l come from the various refiners themselves, based upon the num-
of tons which they take; a small assessment on each ton.
Senator VARDAMAN. Are they paid a salary?
Mr. BABST. The members of the international committee receive no
ary whatever. They are entirely volunteers.
Senator KENYON. Do they receive an expense account?
Mr. BABST. They do not. They receive nothing whatever.
enator KENYON. They pay their own expenses?
Mr. BABST. They do. Such a thing as expenses has not been dis-
sed or mentioned. There are no expenses that amount to any-
ng that I could think of to be incurred.
enator KENYON. Who is Mr. Mott, who receives $20,000 a year?
Mr. BABST. Mr. Mott is an Englishman by birth, a naturalized
erican citizen, who probably has bought more raw sugar than
six men in the world. He has had the unusual experience of
ing supplied five or six refineries with their raw sugars, handling
r ships and discharges, and all the many intricate and difficult
stions that go with it, and he is considered by all the men whom
ave consulted as the man best qualified of anyone in this country
ake such a place. I wish especially to speak of Mr. Edwin T.
son, whose name has been mentioned here, who is a young man
I invited from the legal department of our company, and asked
to take the place as temporary secretary of the International
ar Committee, with the full consent and knowledge and approval
ll the other members, until a permanent secretary could be chosen
that place. He is there, working day and night. He is there as a
unteer, and receives no salary or compensation of any kind from
International Sugar Committee.
enator KENYON. He receives his salary from your company?
Mr. BABST. He receives his salary from the American Sugar Re-
ng Co. Mr. Mott, when he took his place as the agent to arrange
chases for the International Sugar Committee, resigned from the
erican Sugar Refining Co., he disassociated himself in every way
n that company.
enator VARDAMAN. In what position is he now?
Mr. BABST. He is now called agent for the arranging of purchases
the International Sugar Committee.
enator KENYON. How much of your time did you spend in this
k?
Mr. BABST. I have given practically all of my time to this matter
e my appointment was announced. My ordinary course is to go
ny office in the morning, stay there until 10.30, and spend the
of the day with the International Sugar Committee and return
ut 6 o'clock to my office, and I have been on double duty at both
ces.
enator KENYON. You have had your salary just the same from
r company?
Mr. BABST. I have had my salary just the same from my com-
y, taking care of my responsibility to my company the same as
ore.
enator KENYON. Mr. Babst, do you believe the policy is a wise
cy of the Government putting men in charge of these various
ters when they are directly interested in the matter?

Mr. BABST. I do not see, understanding the intricacies of the international situation as I know them, what else the Government could have done. They selected in Mr. Jamison and myself practically the only two sugar refiners in this country who have no interest of any kind in raw sugar, and so far as the interest which the American Sugar Refining Co. has in beet stocks, that was not a secret interest, but was well known to the Government itself. I responded to the call of the Government as a duty, have placed my whole organization at their service, and have done everything in my power, all the time using my business judgment to help the Government in the extremely difficult undertaking on which it was launched.

Senator KENYON. You felt no embarrassment in accepting a position of that kind?

Mr. BABST. I have not up to the present time felt the slightest embarrassment. There has no matter ever come before me in which I had any interest, or my company had any interest, directly or indirectly. The only embarrassment I felt about the matter was the embarrassment which has grown out of this hearing in this room.

The CHAIRMAN. This Mr. Mott that you speak of, that you put in the position to buy these sugars, or as the agent of this whole enterprise, is the same Mr. Mott, is he not, who in 1904 was written to by Mr. Witherspoon? Was Mr. Witherspoon formerly an officer of your company?

Mr. BABST. He was. He no longer is, however.

The CHAIRMAN. I will ask you if this Mr. Mott is the same gentleman to whom this letter was written by Mr. Witherspoon. I read a part of the letter——

Mr. BABST. I have no doubt he is the same Mr. Mott.

The CHAIRMAN. This is dated from New Orleans, October 27, 1904. It reads:

> Commencing with the latter part of next week, the daily arrivals here on account of contracts already made will be large. These contracts, as you know, will be settled at a differential under the New York price day of arrival. Hence it behooves you to depress the N. Y. markets as much as possible, for the lower the N. Y. quotation is the less these sugars will cost us.
>
> Yours, very truly, J. T. WITHERSPOON

That is the same Mr. Mott, is it not?

Mr. BABST. He undoubtedly is.

The CHAIRMAN. Is Mr. Mott one of the gentlemen—and if I am in error about this I feel like apologizing—who was put under charges by the Government in the sugar weighing fraud cases?

Mr. BABST. Mr. Mott, so far as I know, has never been put under charges by anybody connected with the Government, and, so far as I know, there is no letter in existence, or was ever written, in reply to this letter which you have referred to, of 1904. Mr. Mott was a man of well-known integrity and reputation for honesty and capacity, and no one has spoken higher of him to me than Mr. Spreckels himself.

The CHAIRMAN. I do not ask you that. I want to put this in the record. The question I asked just now in regard to Mr. Mott I asked because my recollection was that his name was connected with those prosecutions, and I do not want the question to stand as any possible imputation against him, in view of the answer of the witness.

Mr. BABST. He never was prosecuted or related in any way with
y such thing.
The CHAIRMAN. You have already said that.
Mr. BABST. And the production of this letter is merely an attempt
convey a wrong impression.
The CHAIRMAN. It is a letter that was brought out in the trust
earings.
Mr. BABST. Where it was brought out I do not know, in the year
04.
The CHAIRMAN. And it was gotten from the files of the American
ugar Refining Co., was it not?
Mr. BABST. That I know nothing about whatever.
The CHAIRMAN. Was not Mr. Mott connected with the American
ugar Refining Co. in 1904?
Mr. BABST. So far as I know; I think undoubtedly he was.
The CHAIRMAN. And has been connected with it ever since, has
not?
Mr. BABST. He has.
The CHAIRMAN. Until you say he severed his connection very
cently?
Mr. BABST. He recently did, in order to take this new place.
Senator KENYON. Is there any answer to the letter, Senator Reed?
The CHAIRMAN. I do not see any in the book.
Senator KENYON. The letter would not amount to anything with-
t an answer.
The CHAIRMAN. It clearly shows he was their agent, and they
ere giving him these instructions, and he still continued their agent.
Senator VARDAMAN. Who was writing that letter?
The CHAIRMAN. J. T. Witherspoon, a former president of the
nerican Sugar Refining Co.
Mr. FREEMAN. Pardon me; not the president of the American
ugar Refining Co.—never the president.
The CHAIRMAN. What was he?
Mr. BABST. He was assistant secretary of the company at New
rleans, acting under Mr. Mott, and not over Mr. Mott.
The CHAIRMAN. This Mr. Mott was also in what capacity with
e American Sugar Refining Co. the last seven or eight or nine
ars?
Mr. BABST. He has been the buyer of raw sugars for many years.
The CHAIRMAN. No other connection?
Mr. BABST. He was a director of the company for some years.
Senator VARDAMAN. In what capacity is this Mr. Mott acting now?
Mr. BABST. He is the agent for the arranging of purchases for
e International Sugar Committee.
Senator VARDAMAN. What salary does he receive from the Gen-
al Government?
Mr. BABST. He receives no salary from the General Government,
t he is paid the same salary which he has received heretofore,
hich salary is paid by the refiners themselves.
Senator VARDAMAN. How much is that?
Mr. BABST. That is $20,000 a year, which is a very proper salary
r a man of his capacity and meeting the responsibilities which are
on him in this position.

Senator VARDAMAN. He is in your employ now?

Mr. BABST. He is not.

Senator VARDAMAN. In the employ of the sugar refiners?

Mr. BABST. Of the sugar refiners, as they are acting through this committee.

Senator VARDAMAN. In this quasi official capacity?

Mr. BABST. Exactly. It is greatly to be deprecated that an attempt should be made to put a stain upon a man of Mr. Mott's well-known integrity in any such manner as it now stands on the record of this committee, and I sincerely trust that the committee will take action to expunge this record.

The CHAIRMAN. If you mean to lecture me, I want you to do it directly, not by any indirection.

Mr. BABST. I prefer to have it stand just exactly as it is.

The CHAIRMAN. Mr. Mott is a defendant, by name, in the case now pending against your company, is he not? Let me read the title to this case:

United States of America, petitioner, *v.* The American Sugar Refining Co. and others, defendants. In equity.

To the honorable judges of the Circuit Court of the United States of America for the southern district of New York, sitting in equity:

Your petitioner, the United States of America, by Henry A. Wise, its attorney for the southern district of New York, acting under direction of the Attorney General of the United States, brings this proceeding in equity against the American Sugar Refining Co., Washington B. Thomas, Arthur Donner, George H. Frazier, Horace Havemeyer, Henry A. Niese, Henry C. Mott, Samuel C. Hooker, Samuel Carr—

and then there is a large number of other defendants. So he is one of the defendants that the Government charged with violating the antitrust acts of this country, is he not?

Mr. BABST. Which the Government has permitted to go stale for some years.

The CHAIRMAN. Now, let us see about the Government permitting it to go stale.

Senator LODGE. Mr. Chairman, I think you had better put in that whole letter if part of it is put in.

The CHAIRMAN. We will put in the whole letter. It is in this pamphlet here which I hold, entitled "Louisiana—Protest of American Producers of Cane Sugar Against the Underwood Sugar Schedule." It is on page 28.

Do you mean to say that the Government has abandoned this suit, or do you mean to say that by arrangment this suit has been held pending the decision of other important questions?

Mr. BABST. I mean the court before which the suit was pending entered an order staying further hearings or proceedings in the case until the United States Supreme Court should decide the International Harvester case and the United States Steel case.

The CHAIRMAN. And your attorneys appeared and urged that action and agreed to it, did they not?

Mr. BABST. They did not.

The CHAIRMAN. They did not agree to it?

Mr. BABST. They accepted it, of course.

The CHAIRMAN. Did they not agree to it and was it not an order entered by agreement?

Mr. BABST. It was not, so far as I know.
The CHAIRMAN. Do you know?
Mr. BABST. I was informed by Hon. James M. Beck, who is ou
unsel, that the court, Judge E. Henry Lacombe, had entered suc
order, stating that he would hear no more of these suits unde
e Sherman Antitrust Act until the Supreme Court had decide
ese cases.
The CHAIRMAN. So, then, this did not apply to your case alone
t did apply to all of the trust suits that might be pending in tha
urt, the court desiring to know what interpretation the Suprem
ourt might put on certain phases of the law?
Mr. BABST. That was my inference from the statement made to me
The CHAIRMAN. And on the strength of that you say your cas
s gone stale?
Mr. BABST. I said the facts in the case had gone stale.
The CHAIRMAN. I want to say again that, in so far as there is an
putation in my question that Mr. Mott was connected with th
gar fraud cases, fraudulent weighing cases, I meant no imputatio
the question, and I distinctly disclaim any such imputation, be
use I did not want to do him any injustice. I asked the questio
good faith. I would not have pursued it further if the witness ha
t undertaken to deliver a lecture to me.
I want to ask you now just one or two questions. How did th
ices charged during the last year for sugars which your compan
ported compare with the prices you charged to domestic consumer
the United States?
Mr. BABST. They were substantially at the same price as domestic
r sales made in bond.
The CHAIRMAN. Coming to the question you were asked with refer
ce to the employees of your office—I mean in this office, now, tha
organized at 111 Wall Street—that is where your headquarter
e, I believe?
Mr. BABST. They are.
The CHAIRMAN. Do you mean to say you ever went any furthe
th Mr. Spreckels than merely to ask him about the employment o
few men as a preliminary organization?
Mr. BABST. I mean that I discussed with Mr. Spreckels the prin
ple on which Mr. Jamison and I proposed to take men from ou
ganizations, and that he said that if he were in my place he wou
the same thing. By reason of the importance of Mr. Mott's posi
on, I especially asked him about Mr. Mott; and he spoke of hir
ry approvingly, and said he was satisfied and agreeable to the ap
intment of Mr. Mott.
The CHAIRMAN. Is it not a fact that Mr. Warner objected seriousl
Mr. Mott?
Mr. BABST. It is a fact.
The CHAIRMAN. So that when you stated a while ago that all o
e refiners agreed to this plan of you taking the employees out o
ur own organization you were in error in that one respect, anyway
Mr. BABST. I did not state that I had been able to consult all o
e refiners. I consulted all of the refiners that I could. Mr. Warne
as not in New York at this time, and so I was unable to consult hir

The CHAIRMAN. Do you now say that we have no means of knowing what the present Cuban sugar crop is? Did you mean to make that statement?

Mr. BABST. I do; the present Cuban sugar crop. By that I mean the crop they are just now starting to grind, and of which only a few thousand tons have been ground, and will continue grinding until next June or later.

The CHAIRMAN. Do you mean by your answer that there is no information from which a reasonably prudent man can form a reasonably accurate estimate of that crop?

Mr. BABST. I mean to say that there are many estimates already made, and that I have come to a reasonably prudent decision of my own, based on and influenced by estimates made by sugar experts.

The CHAIRMAN. What was your estimate?

Mr. BABST. The estimate which I am using as a reasonable estimate——

The CHAIRMAN. I say what was it?

Mr. BABST. Three million tons.

The CHAIRMAN. Of course you think you have some means of forming an estimate or you would not make one.

Mr. BABST. I have the means, which is always open, to form an estimate upon anything which has not yet happened.

The CHAIRMAN. Has the acreage been increased about 20 per cent?

Mr. BABST. Oh, there are many factors of that kind and character, and you take that into consideration in arriving at an estimate or conclusion of that kind.

The CHAIRMAN. You say that the American people have consumed this last year 400,000 tons more sugar than they did the year before, and you account for that largely by the fact of their having put up large quantities of fruits and vegetables, etc. If that is true, state whether or not the existence of that kind of sugar-containing and sugar-preserved foods will have a tendency to decrease the consumption of sugar hereafter, until those fruits are used up.

Mr. BABST. That is the merest guess. As a tendency I would say yes, but there are so many other factors in the future that it is the merest possible guess.

The CHAIRMAN. Don't you think as a reasonable man that that is inevitably the result?

Mr. BABST. No.

The CHAIRMAN. That if 400,000 tons of sugar have been put up in making preserves and in keeping fruits which will be used on the table, that will have a tendency to decrease the consumption of sugar?

Mr. BABST. I am quite clear that such may be the tendency, but I am very certain that such is not necessarily inevitable.

The CHAIRMAN. We are not dealing with the inevitable, we are dealing with reasonable probabilities.

Senator LODGE. I would like to ask a question there. On what is that increased consumption of 400,000 tons based?

Mr. BABST. It is based on the facts contained and set forth on page 28 of the report, an exhibit in this hearing, and the table there compiled, which shows the meltings of all raw sugar imported into the United States, comparing the first 10 months of this year with the

The CHAIRMAN. This paper is an advertisement of the American Sugar Refining Co. in the Weekly Statistical Sugar Trade Journal of August 30, 1917. It is as follows:

EXHIBIT No. 63.

AMERICAN SUGAR REFINING CO.

The necessity for stopping the dreadful waste of fruit became more than ever apparent when the United States entered the world war.

Our "Save the fruit crop" advertising, now in its second year, will increase the demand for preserved and canned fruits, also for Domino granulated, the best sugar for canning and preserving.

AMERICAN SUGAR REFINING CO.

The most complete line of sugar in the world.

I have no further questions.

Senator LODGE. I want to ask you one further question in that connection, Mr. Babst. You infer this increased consumption from the decrease of exports. Has nothing been achieved by conservation?

Mr. BABST. The results are as they have come out, and as they are stated. These figures relate——

Senator LODGE. I have read the figures.

Mr. BABST. They relate to the first 10 months. I should say that very little has been achieved to affect these figures, as the larger increases in consumption took place in the spring and in the midsummer months.

The CHAIRMAN. You base your 400,000 tons upon the inference that 300,000 tons not exported were consumed—which is pure inference.

Mr. BABST. I base it upon the inference that we had in this country more sugar than we had last year by 100,000 tons, and exported 300,000 less, which makes 400,000 tons.

Senator LODGE. It turns on the exports, and it is an inference that because it was not exported it was consumed.

Mr. BABST. It had to go some place.

Senator LODGE. Very well. It is an inference that it was consumed.

Mr. BABST. Which is the only inference one can draw.

Senator LODGE. Oh, I beg your pardon. There are many other inferences that can be drawn. Hoarding is an obvious inference. Your estimate is based on inference. Now, I ask again whether conservation has accomplished nothing?

Mr. BABST. That I could not answer.

Senator LODGE. That is another matter of inference. That is all.

The CHAIRMAN. Is there a plan on foot by the international committee to limit the consumption of sugars?

Mr. BABST. There is not. The International Sugar Committee has nothing to do with such a matter.

The CHAIRMAN. In your talking about distributing the sugar, allotting the sugar—I believe you called it allocating the sugar—to Europe, have you taken into consideration in your preliminary talks the limitation that is to be placed, or any limitation that is to be placed, on sugar consumption in Europe?

Mr. BABST. Oh, yes.

The CHAIRMAN. What is that limitation that you have
ussing?
Mr. BABST. In Europe?
The CHAIRMAN. Yes.
Mr. BABST. To which country do you refer?
The CHAIRMAN. Give me all of them. I have seen a
hat the proposition is to limit consumption in Great Br
ounds per month.
Mr. BABST. The total amount to which they propose to
bout 1,400,000 tons, a decrease of about 500,000 tons from
al consumption, which is 1,900,000 tons.
The CHAIRMAN. Is there another proposition to limit
umption to 3 pounds per month per capita. I believe it is
Mr. BABST. In England?
The CHAIRMAN. Yes.
Mr. BABST. That, I think, is substantially accurate so
ndividual is concerned, but a large part of the United K
onsumption of sugar is in their manufacturing establishm
The CHAIRMAN. Is it proposed to reduce that also?
Mr. BABST. That is being reduced, but it makes the con
uch higher than 3 pounds a month per capita as a total.
Senator LODGE. It is proposed here to have people cons
pounds a month per capita?
Mr. BABST. Such a proposal as that has not been broug
ttention of the International Sugar Committee. I have s
aper articles discussing such things.
Senator LODGE. That is what I refer to. That would b
ourse, by the food administrator. I wanted to get at v
f conservation that would create.
Mr. BABST. That would create a very large conservatic
ountry.
Senator LODGE. Of individual consumption as apart fro
ionery and preserves?
Mr. BABST. Yes; if it were done in that way.
Senator LODGE. Would it be done in that way, and does t
nly to individuals?
Mr. BABST. That has been the method followed in En
educe the consumption by the individual, and then reg
mount which various lines of manufacture may have. For
chocolate manufacturer is given a larger percentage tha
andy manufacturer.
Senator LODGE. If in this country the people reduce th
old consumption to 3 pounds per capita per month, and
ectionery, as I have also seen suggested, is reduced 50
oughly, how much of a saving would that make in this
Mr. BABST. Of course this will be a mere rough estimate.
Senator LODGE. Oh, yes.
Mr. BABST. I should estimate two-thirds of the consu
he country is in the household and one-third in the manu
lants, and that proposing to cut 50 per cent of confection
ean all manufacture.
Senator LODGE. That is what I have seen suggested as
ion of the Food Administration.

Mr. BABST. That would mean a saving in round figures here of a million tons of sugar a year.

Senator KENYON. What is to be done with that?

Mr. BABST. This is all in the newspapers, there is nothing definite about it.

Senator LODGE. That is not within Mr. Babst's province at all?

Mr. BABST. Oh, no.

Senator LODGE. I wanted to get his estimate as a sugar expert of what saving was to be made under the direction of the Food Administration, so as to know how much shortage there was going to be.

Senator VARDAMAN. If that saving should be effective, it would leave a great surplus.

Mr. BABST. If any such saving as that were to be actually made, it would change the relationships in the world, of available sugar, very materially.

The CHAIRMAN. Let me get these figures correct in my own mind. What is the present consumption of the United States in tons, roughly speaking?

Mr. BABST. About 3,600,000 tons.

The CHAIRMAN. What is the consumption per capita?

Mr. BABST. Of course, these are all rough figures.

The CHAIRMAN. Yes. What is the consumption per capita?

Mr. BABST. About 80 pounds per capita per year.

The CHAIRMAN. That would be in the neighborhood of 7 pounds per month.

Mr. BABST. If you figure it in that way, we will have to make different figures.

Senator LODGE. Those 80 pounds per capita include that used in confectionery and everything else?

Mr. BABST. Yes.

The CHAIRMAN. What is the amount of consumption by the individual?

Mr. BABST. The individual consumes about two-thirds of the total amount, and the manufacturers about one-third. These are very rough figures, and there is nothing accurate in them.

The CHAIRMAN. If you cut the individual consumer to 3 pounds, how much will be saved in that way?

Mr. BABST. In that way alone?

The CHAIRMAN. Yes.

Mr. BABST. It would be roughly from 600,000 to 800,000 tons.

The CHAIRMAN. That is the individual alone?

Mr. BABST. Yes.

The CHAIRMAN. Now, take the manufacturers. How much do they propose to reduce what they are using?

Mr. BABST. It is suggested, 50 per cent, in Senator Lodge's question.

Senator LODGE. That is the statement in the newspapers.

The CHAIRMAN. If you cut the manufactured part down 50 per cent, what would that amount to?

Mr. BABST. It would be about 300,000 tons, roughly. The two make 1,000,000 tons, on the supposition which you have stated.

The CHAIRMAN. How much would be saved if Great Britain were to reduce herself, as has been suggested, in this circular that is sent out?

Mr. BABST. Great Britain is practically upon that basis no
saves about 500,000 tons over her normal consumption.
The CHAIRMAN. From what she consumed last year?
Mr. BABST. From her normal consumption.
The CHAIRMAN. She is practically on that basis now?
Mr. BABST. Yes; practically.
The CHAIRMAN. If Great Britain is practically on that basi
d you propose to reduce us to the basis that Great Britain is
hat is going to become of this million or more tons of sugar?
Mr. BABST. I am very far from proposing such a thing. I
would naturally, and I think for many sound reasons, oppo
proposal as that; but I would have to give you the same
at I gave Senator Vardaman a moment ago to that same qu
ut it would make a very far-reaching readjustment necessary
ailable supply.
Senator KENYON. Is not that so in Great Britain, that the s
e getting all the sugar they want?
Mr. BABST. Yes; the soldiers get all they want.
The CHAIRMAN. Your Great Britain figures are average; th
t simply limited to the civilian, but the average you have giv
Mr. BABST. I take the normal consumption of normal times.
The CHAIRMAN. I want to ask you a little more definitely
sugar you have sold in recent years, abroad. Was it sold
ntially the same figure at which you sold to the America
ner, or was it sold at a less price, and if so what was the rea
being less?
Mr. BABST. It was sold at substantially the same price.
rld's market with refined sugar you are in competition wit
dy that has sugar to offer.
The CHAIRMAN. That is all that I wanted to get at.
Mr. BABST. But substantially it was the same.
The CHAIRMAN. That is to say, then, when this sugar c
ich you refined and sold to the American people, it paid a
ent a pound. If you refined that sugar and sent it abroad i
awback of 99 per cent of the duty. Notwithstanding that fa
ll sold your sugar abroad at the same level price that you
in America, substantially?
Mr. BABST. Duty excluded. Of course all sales are made i
t the same as if you went through a free port.
The CHAIRMAN. Then you sold your sugars for the Ar
ice less the duty?
Mr. BABST. Just as every other sugar refiner or sugar m
es.
The CHAIRMAN. Oh, of course——
Mr. BABST. They all do that.
The CHAIRMAN. Is that the world's market?
Mr. BABST. That is the world's market.
The CHAIRMAN. So that the American citizen's sugar cost
ind numbers more than 1 cent a pound more than the sug
s refined and sent abroad?
Mr. BABST. The American citizen's sugar cost him the
ount, or the approximate amount, of the duty which went
deral Government above what refined sugar sells for in the
rket.

The CHAIRMAN. That is all.

Mr. BABST. It paid the duty. The American consumer pays the duty, just as he does on every other article on which there is a duty.

Senator JONES. You have made the statement that Great Britain is seeking to reduce her consumption of sugar, and it also appears that there is an effort made to get our people to reduce their consumption of sugar. I suppose France and Italy have reduced, or are trying to reduce their consumption of sugar?

Mr. BABST. They are.

Senator JONES. In view of your statement heretofore made that there is a normal supply of sugar, why?

Mr. BABST. In order to save ships as much as possible; to conserve tonnage. That is one of the principal factors in England. Everything that goes into England, and all the sugar that goes to France and Italy now, must come from the Western Hemisphere, and so requires a ship, because these markets formerly were supplied by the central powers, and by reason of the world war the allied countries are thrown upon the Western Hemisphere.

Senator JONES. Who is going to be fortunate enough to get the benefit of this saving, then, on the part of Great Britain, France, and Italy, and why the necessity for any saving in the United States?

Mr. BABST. The United States is the most fortunately situated country in the world at the present time, so far as sugar is concerned, and to my mind there are not the same reasons for reducing consumption in the United States that there are for reducing consumption in the other allied countries.

Senator VARDAMAN. As a matter of fact you have not advocated anything of that kind?

Mr. BABST. I have not, and when it is advocated I shall certainly very strongly oppose it.

Senator VARDAMAN. I do not see any use in examining him any further on that point.

Mr. BABST. Sugar is a food that is extremely valuable and I am in favor of giving the American people all the sugar they can take, as long as we can get ships to bring it in here.

Senator LODGE. Roughly, in round numbers, what is the world's production of sugar—I mean what was it before the war? Supposing there was no war, what is it, roughly?

Mr. BABST. About 16,000,000 tons of sugar. In a round way I can say that America at the present time controls half of the available sugar supply of the world. New York to-day is the sugar center of the world.

Senator LODGE. Do you mean by that that there is 8,000,000 tons shut up by the isolation of the central powers?

Mr. BABST. No.

Senator LODGE. You say "available sugar." How much is cut off by the central powers?

Mr. BABST. About one-third of the world's sugar supply is cut off by the central powers, and of the remaining two-thirds America controls one-half.

Senator LODGE. Of the 10,000,000 tons left?

Mr. BABST. So that of the available sugar supply what before the war constituted one-third of the world's supply now becomes one-half of the world's available supply.

Senator LODGE. Of the world's supply—the available supply
le of the central powers?
Mr. BABST. No; that is what I do not mean.
Senator LODGE. That is what I want to get at.
Mr. BABST. Before the war, in round numbers, there were 16,00
ns in the world.
Senator LODGE. Yes.
The CHAIRMAN. Eighteen million tons this year.
Mr. BABST. Before the war. I did not go back far enough. I
nking of the 1915 and 1916 crops. It was 18,000,000 tons befor
r, but my fractions are just the same.
Senator LODGE. I wanted to get the proportions.
Mr. BABST. One-third of the world's sugar is shut up in the ce
wers. Therefore of the remaining two-thirds, each of those
rds becomes one-half of the available sugar in the world ou
the central powers. One of those halves belongs directly
lirectly to America.
Senator LODGE. To the United States?
Mr. BABST. To the United States; the United States beet
uisiana cane, Hawaii, the Philippines and Porto Rico acquire
Spanish War, and, of course, by reason of our preferential t
h Cuba and our other political relationship it is one property.
s fair to count in Cuba.
Senator LODGE. Certainly.
Mr. BABST. Especially by reason of the fact that financially w
w interested in one-half of the Cuban property.
Senator LODGE. Where is the other half?
Mr. BABST. The other half of the world's sugar supply is in scat
nds. The British own, of course, the British West Indies
er small sugar dominions.
Senator LODGE. Those are not very large?
Mr. BABST. They are large, but they are not specially impor
eir total supply is not very large. England has had no real Br
gar policy, such as developing their sugar possessions, in the
t the United States has, but has depended upon the beet suga
central powers. France has Martinique, in West Indies, and
all sugar dominions.
Senator KENYON. There is a large beet-sugar production of Fr
here not?
Mr. BABST. France has always been a beet country, but a large
their beet factories and beet fields are within the battle lines.
lso true of Belgium. The only other real important factor in
er half is Holland, through Java, and of course, as to Java, fi
lly the relationships are more German than Dutch, and th
e of the complications in the Java situation.
Senator LODGE. That is not very accessible, is it, the Java sugar
Mr. BABST. The Java sugar is entirely inaccessible, so far as A
is concerned. It is moving very slowly to England, as ton
be found for it; but it is not considered available except in a s
y. Therefore America to-day can be said to be the greatest s
ning and controlling nation on the earth, and it is in posse
one-half of the world's sugar. It is therefore extremely interes
t when an international readjustment on this very large and
rtant matter had to be made that readjustment was made,

being made, in the United States. Do you wish anything further, Senator Lodge?

Senator LODGE. No; that is all.

The CHAIRMAN. I have some figures here that I am going to ask you about. This is not for the purpose of contradicting you at all, but I want to hand you some figures——

Mr. BABST. Of course, if this whole room starts in asking me questions——

The CHAIRMAN. This is not the whole room. The sugar men have not handed me this. I got this out of some statistical works, and I want to ask you if you do not want to revise your statement regarding the sugars that have been withheld from the world because they are within the territory of the central powers? You have said they were about one-third of the world's crop.

Mr. BABST. I was speaking very roughly at all times, and only giving a general idea. If I wanted to give you that exactly, I would have to look up the figures more accurately. There are the Russian sugars, which are not inside of the battle lines, but are not available to the world, and the Belgian beet sugars and the beet sugars of northern France, and I looked at the thing in a very broad, comprehensive way.

The CHAIRMAN. I am not seeking to contradict you, but I am seeking to give you the opportunity to correct your figures. The figures, as I understand, were compiled on the very basis which you have stated, and because you did not have the accurate figures before you—and nobody can be expected to carry them in his mind—I will ask you to look at this table and see if you now, looking at it, desire in any way to change the proportions of sugars as you have given them?

Mr. BABST. I prefer not to look at the paper, as I have stated it in a rough, round, general way, in order to convey the importance of America in the present world sugar situation.

The CHAIRMAN. In connection with the statement just made by the witness I introduce the following table, compiled from the Weekly Statistical Sugar Journal.

Senator KENYON. What is the Weekly Statistical Sugar Journal?

Senator LODGE. It is a sugar trade journal.

(The table referred to by the chairman is here printed in full, as follows:)

EXHIBIT No. 63½.

[From Statistical Sugar Trade Journal, 1915, and Nov. 22, 1917.]

SUGAR CROPS OF THE WORLD.

	Tons
1912–13	18,186,000
1913–14	18,604,000
1914–15	15,999,000
1915–16	16,550,000
1916–17	16,584,000
1917–18	17,190,000

Estimated increase in world's production of 1917–18 over 1916–17 is 606,000 tons.

WORLD CROP SUGAR EXCLUSIVE OF CONTINENTAL EUROPE.

1916–17:	Tons.
World crop	16,584,096
Continental European crop	4,566,408
Total	12,017,688

17–18:
World crop.....
Continental European crop.....

Total .....

orld crop, exclusive of continental Europe, 1917–18.....
orld crop, exclusive of continental Europe, 1916–17.....

Excess.....

The CHAIRMAN. Let it be understood also that
ures include the Java sugars.
Now I want to introduce as a part of the exami
s pages 24, 25, 26, 27, and 28 of "The Americ
.." this book gotten out by the American Sugar
The matter referred to by the Chairman is he
ord as follows:

E PASSAGE OF THE FOOD-CONTROL BILL AND PLANS OF THE
FOR SUPERVISION OF THE SUGAR INDUSTR

n June 11 of this year the food-control bill was introd
sequently on August 10 Congress passed the bill as am
t appointed Mr. Herbert Hoover food administrator,
give the food administrator the power to fix prices for s
President to license the importation, manufacture, o
essaries, which sugar is included, and further provides t
l what is a just and reasonable profit. It also provid
the purposes of this act the President is authorized to
y arrangements or agreements or to create and use any
Acting under the powers conferred and shortly after
over selected Mr. George M. Rolph as the head of the
ited States food administration. In an effort to stabili
perative buying to maintain "a proper balance betwe
ers and consumers," the food administration, in coopera
yal Commission on the Sugar Supply, has appointed a
mittee of five members to arrange for the purchase
ilable raw sugar to this country and its allies.
The American members of this committee are Mr. Georg
the sugar division of the United States food administ
bst, the president of this company; and Mr. William
kle Bros., and to them are to be referred all questions
ure. The members of the committee appointed on
vernments are Sir Joseph White-Todd and Mr. J. Ra
ndon, England. The food administration has also ap
ners' committee of five refiners and seven alternates
portionate distribution of raw sugar provided by the
mmittee. It has also promulgated rules and regul
ensing of all persons engaged in the importation or m
rsuant to which this company has been duly licensed to
l refine sugar, sirups, and molasses.
The purposes of the food administrator and the various
supervision of the sugar industry were fully outlined
ued by him on September 30, 1917, which is printed o
From the first the American Sugar Refining Co. has me
vernment, and, as a matter of fact, on April 26, 1917,
ssage of the food-control bill, President Babst, in a pu
reprinted on pages 45 and 46, indorsed the Hoover
ies can consolidate under one head the whole purchasi
For the purpose of carrying into effect the purposes of
n and following a month's negotiations between th
over and Mr. Rolph, the United States food administ
this company requesting the company to enter into a
th it for the purchase of imported raw sugar through th
mmittee and the sale of refined at a maximum refining

net per pound for fine granulated sugar in barrels f. o. b. refinery. (See letter of Oct. 6, 1917, printed on pp. 77 and 78.) The legality of the agreement has been approved by the Attorney General of the United States, and at a meeting of the board of directors held on October 9, 1917, the president of this company was duly authorized to execute it. The voluntary execution of this agreement at the urgent request of the food administrator and the efforts of the company to make effective the plans and aims of the United States Food Administration attest to the sincere purpose of the company to meet the request of the Government in the present emergency.

All other American refiners were also requested by the food administrator to execute similar voluntary agreements with him, and one and all met his wishes in the matter.

Previously, and in August, as is recited in the agreement of the Food Administration referred to, "representatives of 85 per cent of the domestic beet-sugar industry met with the food administration in Washington and pledged the interests which they represented to maintain a price for their product of not to exceed 7.25 cane basis seaboard refining points from the beginning of the crop, starting in October, until same had been distributed." The price for domestic beet sugar then agreed upon and later accepted by the entire domestic beet industry is not one, however, that the company can meet on the present price of raw cane sugar or on any basis prevailing since last June.

It should also be borne in mind that the company has been under notice of governmental supervision since the food-control bill was first introduced in Congress and has been compelled to shape its policy with such supervision in prospect. As early as July 27 this company, in its trade bulletin, reviewed the situation confronting the industry and made this very pertinent statement:

"It should be recorded that the United States refiners are and have been under notice of Government control. The position of the United States refiners, therefore, so far as the risk of inventory is concerned, has been weakened by such notice and made uncertain. Under these circumstances the refiners have been largely relieved of the responsibility of safeguarding the United States supply.

"Of course there is plenty of sugar in Java, and naturally it will remain there as a reserve supply as long as tonnage is not provided to move it. Equally naturally the royal commission, upon being threatened with exclusion from the American market, has filled its needs in the much nearer and more convenient markets of Cuba and Canada."

In the meantime the heavy buying by the allies and foreign countries, following the action of the Senate Finance Committee, had so depleted the stocks of raw sugar that supplies could not be obtained in sufficient quantities by American refiners to continue their meltings. As a result the following refineries were compelled to close down:

Franklin, Philadelphia (Front Street Refinery), September 15, 1917.
Arbuckle, Brooklyn, September 19, 1917.
Colonial, Grammercy, La., October 4, 1917.
Henderson, New Orleans, October 5, 1917.
Franklin, Philadelphia (Reed Street Refinery), October 6, 1917.
Federal, Yonkers, October 8, 1917.
American, Brooklyn, October 9, 1917.
Imperial, Sugarland, Tex., October 13, 1917.
Warner, Edgewater, N. J., October 18, 1917.
American, Chalmette, La., October 18, 1917.
National, Yonkers, October 19, 1917.
Savannah, Savannah, October 20, 1917.
American, Boston, October 24, 1917.

With full knowledge of the effect of the Senate Finance Committee's actions upon the domestic industry, this company and the entire industry used every legitimate means to bring about its early reversal, but the three months' delay, in conjunction with the other contributing elements, put the situation beyond power of corruption. By September supplies of raw sugar which might otherwise have been bought had become no longer available, and refiners were unable to continue their meltings.

Summary.

The foregoing review of conditions in the sugar market from January 1 to October 31 of the current year is an attempt to state the many factors which have affected the sugar industry in the United States.

In an effort to summarize the net result of the conditions which have been scribed, the following table has been compiled from statistics given in the eekly Statistical Trade Journal of Willett & Gray:

	First 10 months of 1917.	First 10 months of 1916.	Increase in 1917.	Decrease in 1917.
ltings of imported sugar at all ports (Atlantic, Gulf, and ific)	3,158,591	3,177,796	.....	19,2
isiana sugar consumed	124,531	74,535	50,076	.....
ited States beet sugar consumed [1]	470,715	410,536	60,179	.....
Total	3,753,919	3,662,867	91,050	.....
s exports from all ports	367,792	668,531	.....	300,7
Consumption	3,386,125	2,994,346	391,779	.....

[1] Figures for 6 months only available.

It will be seen that the consumption of the United States for the first 1 nths of this year has been running at an average rate of 338,000 tons nth. By reason of the disappearance of the invisible domestic refined suppl d the absence of stocks of raw sugars in sources usually available to thi ntry and particularly in Cuba—due to the heavier shipments from the latte rce to Europe—it is apparent, as there has been no increase in the world' oduction, that there is not sufficient sugar to meet our domestic requirements cordingly it is evident at this writing (Oct. 31, 1917) that for the balanc the year we are short nearly six weeks' supply as compared with a year ag ls has resulted in a condition which, pending the arrival of the Cuban cro w grinding, can only be met by the prompt and wide distribution of the ne p of domestic beet sugar and the Louisiana crop of cane sugar, togethe h any Hawaiian or Philippine sugars that may come upon the marke e shortage will be acutely felt in the New England and Atlantic coast State e to their geographical position.

Mr. BABST. Is that all?

The CHAIRMAN. Yes.

Mr. BABST. I would like to make a short statement.

The CHAIRMAN. Oh, Mr. Babst, the committee has indulged yo re, and you have made nothing but statements—long statements— d you have had your counsel beside you, and many of the question at have been asked you have been answered from typewritte emoranda furnished by the counsel, and I do not think that yo ght to ask to take up further time.

Mr. BABST. I will not take but a very few moments.

Senator KENYON. If it is just a short statement, I think he ough be allowed to make it.

Mr. BABST. It will not take but very little time.

The CHAIRMAN. Is it written?

Mr. BABST. No; it is in the shape of a memorandum I have in m nd here, and I will go along and dictate it.

The CHAIRMAN. What does the committee say? I think that th mmittee is through. If the witness says there is anything he ha d here that he wants to explain he ought to be allowed to explai y misapprehension.

Mr. BABST. Let me go along, and you may stop me if I am too lon merely wish the opportunity of checking any figures I have give this testimony, in order that there may be no error in the record.

I wish to state that it has been my policy in the management of th nerican Sugar Refining Co. since I became its president to pr

vent, so far as possible, any speculative movements in sugar or market manipulations by anyone who either did not produce, manufacture, or refine sugars. I realize that in carrying out this policy I have incurred and will incur considerable antagonism, and I therefore desire the privilege of returning to this witness chair and presenting any testimony which may be necessary to answer any charges which may be made at any subsequent hearing which in any way reflect upon me personally or reflect upon the business integrity of the American Sugar Refining Co. since July 13, 1915, when I became its president.

I wish to accept the invitation of the committee that they will be glad to have submitted the names of persons who could assist the committee in bringing out all of the facts, and I would now like to suggest the following names:

George H. Earle, who is here present in the room, and who is president of the Pennsylvania Sugar Co., of Philadelphia.

Judge R. E. Milling, the chairman representing the Louisiana cane growers, and all the members of his committee. Judge Milling is present in the room.

Dwight P. Thomas, vice president of the Revere Sugar Refining Co., Boston.

William A. Jamison, owner of Arbuckle Bros., New York.

James H. Post, president National Sugar Refining Co., New York.

C. M. Warner, president Warner Sugar Refining Co., New York.

W. J. McCahan, jr., manager W. J. McCahan Sugar Refining Co., Philadelphia.

B. A. Oxnard, president Savannah Sugar Refining Co.

John Farr, president Colonial Sugars Co., Gramercy, La.; address New York City.

William Henderson, of the Henderson Refinery, New Orleans, La.

Col. W. T. Eldridge, representing the Imperial Sugar Refining Co., Sugarlands, Tex., who is present in the room.

John D. Spreckels, president of the Western Sugar Refining Co., San Francisco.

Wallace Alexander, vice president California & Hawaiian Sugar Refining Co., San Francisco.

Joseph E. Freeman, secretary American Sugar Refining Co.

Joseph A. Ball, general sales manager American Sugar Refining Co.

Ralph S. Stubbs, general manager American Sugar Refining Co.

Edwin T. Gibson, temporary secretary International Sugar Committee.

Henry C. Mott, agent to arrange for the purchases of raw sugar of the International Sugar Committee, of 111 Wall Street, New York.

Senator KENYON. How long do you want this inquiry to run?

Mr. BABST. So long as the committee desires to have it continue.

Senator LODGE. We shall cut it off as soon as we can.

Senator VARDAMAN. Yes; I think we have got pretty nearly all we need.

Mr. BABST. Gentlemen, I thank you very much for your great patience, and I hope some of the suggestions I have made will be acted upon.

Senator VARDAMAN. Mr. Chairman, it was understood, in the cor-ection of the figures of Mr. Babst, that he may read his testimony nd correct it?

The CHAIRMAN. We did not have any such understanding as that, xcept that he was to furnish some additional figures; but I want o say to all the witnesses here that this testimony must go to the rinter. The Senators are asking for it, and I feel that we ought o turn it over to the printer at once.

Senator VARDAMAN. I think it is the custom to submit proof to the itnesses.

The CHAIRMAN. The transcript of Mr. Babst's testimony will be eady for him to-morrow, and I will ask him to have it corrected by -morrow night so that we can send it to the printer.

Mr. BABST. I will do the very best that is possible.

The CHAIRMAN. There will not be much of it you will have to cor-ct. I expect there are some figures you may want to revise.

Mr. BABST. They have to be checked so as to be accurate.

Senator VARDAMAN. That privilege is extended——

The CHAIRMAN. Certainly; and that is extended to all of the itnesses.

Senator VARDAMAN. To all of the witnesses.

The CHAIRMAN. I will say to all of the witnesses that have testi-ed that I want them to have their testimony corrected by to-morrow ght.

Senator VARDAMAN. Let us have a little executive meeting for just few moments.

The members of the committee thereupon withdrew for a brief ecutive session, after which they returned to the committee room.

ESTIMONY OF MR. GEORGE M. ROLPH, MANAGER OF THE CALI-FORNIA & HAWAIIAN SUGAR REFINING CO., SAN FRANCISCO, CAL.

The CHAIRMAN. We will now hear Mr. Rolph.

The witness was sworn by the chairman.

The CHAIRMAN. Please state your name?

Mr. ROLPH. George M. Rolph.

The CHAIRMAN. What is your place of residence?

Mr. ROLPH. San Francisco, Cal.

The CHAIRMAN. What is your business?

Mr. ROLPH. Sugar refining.

The CHAIRMAN. With what company are you connected and in hat capacity?

Mr. ROLPH. The California & Hawaiian Sugar Refining Co., as anager.

The CHAIRMAN. How long have you been general manager of that mpany?

Mr. ROLPH. Twelve years.

The CHAIRMAN. Prior to that what was your business?

Mr. ROLPH. I was connected with the Hawaiian industry since [illegible].

The CHAIRMAN. What do you mean by "the Hawaiian industry"?

Mr. ROLPH. I was secretary of several of the companies.

The CHAIRMAN. What kind of companies?
Mr. ROLPH. Sugar companies.
The CHAIRMAN. Producing companies?
Mr. ROLPH. Raw sugar producing companies.
The CHAIRMAN. How many are there in Hawaii?
Mr. ROLPH. There are about 52, I think.
The CHAIRMAN. Of how many were you secretary?
Mr. ROLPH. I was secretary of two of them.
The CHAIRMAN. What proportion of the output did those two companies control?
Mr. ROLPH. About 25,000 tons out of 500,000 at that time.
The CHAIRMAN. Is there an organization of the sugar raisers of Hawaii?
Mr. ROLPH. There is.
The CHAIRMAN. Does that embrace all or substantially all the sugar raisers of importance?
Mr. ROLPH. No; it embraces about 80 per cent.
The CHAIRMAN. Did you organize that organization?
Mr. ROLPH. I was in Honolulu at the time it was organized and helped in organizing it.
The CHAIRMAN. You helped organize it?
Mr. ROLPH. Yes, sir.
The CHAIRMAN. Really, you are the originator of it; are you not, Mr. Rolph?
Mr. ROLPH. Yes; I suppose I am.
The CHAIRMAN. You say that it embraces 80 per cent of the sugar planters?
Mr. ROLPH. Yes, sir.
The CHAIRMAN. What proportion of the output does it embrace?
Mr. ROLPH. I should say about 80 per cent of the output.
The CHAIRMAN. Is there another association in which the other 20 per cent are engaged?
Mr. ROLPH. No.
The CHAIRMAN. They are independent?
Mr. ROLPH. Well, they sell their sugar to the Spreckels people in San Francisco.
The CHAIRMAN. But are they organized in any way?
Mr. ROLPH. Not that I know of.
The CHAIRMAN. What is the name of your sugar refining company?
Mr. ROLPH. The California & Hawaiian Sugar Refining Co.
The CHAIRMAN. Who are the real proprietors of that company?
Mr. ROLPH. The Hawaiian planters.
The CHAIRMAN. The same planters that are in this organization or association of which you have spoken?
Mr. ROLPH. They bought the plant.
The CHAIRMAN. What is that organization?
Mr. ROLPH. The Sugar Factors Co., Limited.
The CHAIRMAN. So, if I get you right, Mr. Rolph, about 80 per cent of the sugar planters, both in numbers and in quantity of output, of Hawaii, are organized into an organization known as what?
Mr. ROLPH. The Sugar Factors Co., Limited.
The CHAIRMAN. And that Sugar Factors Co., Limited, in turn owns the refinery at——

Mr. ROLPH. Crockett, Cal.; and Col. W. S. Spalding.
The CHAIRMAN. He is a partner in that?
Mr. ROLPH. He is a partner. He is a stockholder.
The CHAIRMAN. A stockholder; but the control of the stock, the majority of the stock in the sugar refining company, is owned by this association?
Mr. ROLPH. That is correct.
The CHAIRMAN. You organized the association, and you are the general manager of the company?
Mr. ROLPH. I can not flatter myself that I organized it. I assisted in its organization.
The CHAIRMAN. You said you were really the originator.
Mr. ROLPH. Well, I think that I suggested the idea.
The CHAIRMAN. Now, I want to interrupt the examination. It has been suggested here, for the convenience of other witnesses, that the committee think that following Mr. Rolph's examination, which we hope to make reasonably brief—we hope to get through with it to-day—on to-morrow morning, as soon as Mr. Rolph has concluded, we will ask Mr. Hoover to testify.
Mr. Rolph, there has been reference here to a contract relating to the sales of sugar between the Sugar Factors Co. and the refining company. Have you that contract with you?
Mr. ROLPH. I have not. I telegraphed to San Francisco for it; but I have copies of the contracts with the eastern refiners, if you want them.
The CHAIRMAN. But you have no copy of the contract between the Factors Co. and the refining company here?
Mr. ROLPH. Not the refining company out in San Francisco. That ought to be here at any moment.
The CHAIRMAN. Is the Factors Co. a corporation?
Mr. ROLPH. Yes, sir.
The CHAIRMAN. What is its capital stock?
Mr. ROLPH. I can not tell you. I would have to get that for you.
The CHAIRMAN. Can you approximate it?
Mr. ROLPH. I think it is $5,000,000.
The CHAIRMAN. What is the capital stock of the refining company?
Mr. ROLPH. Five million dollars, and the Factors Co. acts as a broker for the sale of the sugar only.
The CHAIRMAN. The Factors Co., however, takes all of the output of this 80 per cent of the owners?
Mr. ROLPH. No; it sells it for them, and arranges the transportation—those are the principal functions—for which it is paid a small brokerage.
The CHAIRMAN. Just to save any possible waste of time on it, it is in fact a corporation through which 80 per cent of the planters of Hawaii market their sugar?
Mr. ROLPH. Yes, sir; that is correct.
The CHAIRMAN. And I am inquiring now for the agreement between this Factors Co. and these constituent members or these patrons of that company, whichever way you speak of them, this 80 per cent. You have not that contract with you?
Mr. ROLPH. I would call it their own refinery.
The CHAIRMAN. Their own refinery?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. That is to say, the refinery in California is, in fact, the refinery for this 80 per cent of sugar producers?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Very well. Now, have you the contract that is made between the Factors Co. and the refining company with you?

Mr. ROLPH. No; I have not.

The CHAIRMAN. You have sent for that and expect it soon?

Mr. ROLPH. I have telegraphed for it.

The CHAIRMAN. You spoke of some contract you do have. What it that?

Mr. ROLPH. There are similar contracts with the Factors Co. and two eastern refiners.

Senator LODGE. The National?

Mr. ROLPH. The Pennsylvania and the National. I thought I had them here, but I have not, and they are very similar. The wording is almost identical.

The CHAIRMAN. Can you not find those?

Mr. ROLPH. I had them the other day. I offered them to the clerk here, but he said he thought I had better get the one from San Francisco. I can have the eastern contracts here to-morrow.

The CHAIRMAN. I thought perhaps you had them in that large bundle of papers that you have been getting from time to time.

Mr. ROLPH. No; I thought I had, too. I can have those for you to-morrow morning.

The CHAIRMAN. There is, however, a contract in existence by the terms of which the price on Hawaiian sugar is to be determined by the New York price?

Mr. ROLPH. That is right.

The CHAIRMAN. Between whom is that contract?

Mr. ROLPH. The contract is between the Factors Refining Co. and the California & Hawaiian Sugar Refining Co.; another contract between the Factors Co. and the Pennsylvania Sugar Refining Co.; and another contract between the Factors Co. and the National Sugar Refining Co.

The CHAIRMAN. That is to say, the proprietors of the California & Hawaiian Sugar Refining Co. make a contract with that company of which they are proprietors by the terms of which they are to be paid a price for the sugar fixed by the New York market?

Mr. ROLPH. That is right.

The CHAIRMAN. Does all of the sugar produced by the constituent members of the Factors Co., this 80 per cent—I will use the term "Factors Co.," as I expect it is reasonably correct—come to the California Refining Co., your company?

Mr. ROLPH. A little over one-half.

The CHAIRMAN. Where does the rest of its output go?

Mr. ROLPH. The Pennsylvania Sugar Refining Co. and the National Sugar Refining Co.

The CHAIRMAN. Is there any common ownership or partnership, or partial ownership, of these two companies you have named vested in the California & Hawaiian Sugar Refining Co., or in the Factors Co., or in the constituent members of either of those companies?

Mr. ROLPH. Absolutely none at all.

The CHAIRMAN. The last two companies you have named- Pennsylvania Sugar Refining Co. and the National Sugar Ref Co.—are independent of your company?

Mr. ROLPH. Absolutely.

The CHAIRMAN. What about their connection with the Ame Sugar Refining Co.?

Mr. ROLPH. I do not know anything about it except what I heard testified to here.

The CHAIRMAN. What proportion does the National get of Hawaiian sugar?

Mr. ROLPH. One-half of what comes East.

The CHAIRMAN. They get about one-fourth?

Mr. ROLPH. Not quite a quarter.

The CHAIRMAN. I am going to call your company the Ref Co. Have you with you any statement showing the amount of sugars which the Refining Co. had on hand at different times du the past 12 months?

Mr. ROLPH. I have a statement showing what was on hand o st of September and the 1st of October.

The CHAIRMAN. Have you any statement showing what wa and other months of the year?

Mr. ROLPH. No.

The CHAIRMAN. Let us have the statements that you have what was on hand in those two months. I am asking for raw su s well as refined sugars. But give them separately if you can.

Mr. ROLPH. We had of raws on hand, on the 1st day of Oct 2,222 short tons.

Senator LODGE. Raws?

Mr. ROLPH. Raws.

The CHAIRMAN. How much refined?

Mr. ROLPH. We had refined on hand on that date, at Croc 0,154 tons.

The CHAIRMAN. You say at Crockett. What did you hav ther places?

Mr. ROLPH. And stored at Chicago and what are known as ouri River points, 13,022 tons.

Senator LODGE. You say you have the statement for Septer oo?

Mr. ROLPH. The 1st of September we had on hand at Croc n the form of raws, 23,832 tons and 7,038 tons of refined.

The CHAIRMAN. You say at Crockett. Did you have raw su lsewhere?

Mr. ROLPH. We did not.

The CHAIRMAN. Did this Factors Co. have raw sugars elsewl

Mr. ROLPH. Yes; it was shipping them right along.

The CHAIRMAN. It was shipping them?

Mr. ROLPH. Every day.

The CHAIRMAN. How much sugars did they have?

Mr. ROLPH. I have no idea.

The CHAIRMAN. No conception at all?

Mr. ROLPH. No; because the shipments were coming forwarc nly to Crockett, but to New York, as fast as they could ship the

The CHAIRMAN. To New York for these two companies?

Mr. ROLPH. Correct.

The CHAIRMAN. How much was there in transit to your company?

Mr. ROLPH. I can answer that question best by stating the fact that after the 1st day of October we received 18,491 tons.

The CHAIRMAN. You have made up the figures for these two months from what data? Where did you get your data?

Mr. ROLPH. I telegraphed for it.

The CHAIRMAN. What about the amount of sugar you had there in August?

Mr. ROLPH. I have no idea.

The CHAIRMAN. How much in November?

Mr. ROLPH. I have no idea. A very small amount; practically very little. Our peak-load period comes along in September and October. That is about the end of the crop. We receive our sugar out there at about seven to eight months, and the accumulations during the early months of the year are stored in our warehouses at about that time in order to carry the refining operations along until the end of the year. So just about these dates we have the greatest amount of sugar on hand that we have at any time during the year.

The CHAIRMAN. When was it that you offered sugars to Mr. Spreckels?

Mr. ROLPH. On the 15th of September, at a meeting of all of the refiners in New York.

The CHAIRMAN. Did you offer him sugars then out of the sugars that you had on hand, or were they sugars out of the crop that was to come?

Mr. ROLPH. There was no question about where it was to come from, or when.

The CHAIRMAN. Did you offer him then, presently, sugars?

Mr. ROLPH. He had been objecting to some sugars that the Pennsylvania Refining Co. had received, and Mr. Earle offered him his contracts. He said, "I will turn over these contracts to you; you are kicking about it so much."

The CHAIRMAN. Mr. Earle offered him his contracts?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. That would not, however, have taken any of the sugar that you had on hand away from you, would it?

Mr. ROLPH. I said, "I will duplicate the offer. Will you take it?"

The CHAIRMAN. That was for the sugars that were then in hand?

Mr. ROLPH. It was nothing but a bluff, because I knew he would not take them.

The CHAIRMAN. You did not intend, then, to give them to him?

Mr. ROLPH. I would have given them to him if he had accepted the offer, but I knew he would not.

The CHAIRMAN. That is very satisfactory. You had on hand, on September 21, 23,832 tons of raw sugar?

Mr. ROLPH. I did.

The CHAIRMAN. And the 7,038 tons of refined sugar? What were your receipts during that month, and how much did you refine and send to the market?

Mr. ROLPH. We had on hand on the 1st of September 23,832, and we had on hand on the 1st of October 22,222, and we sold the equivalent of all we had received during the month.

The CHAIRMAN. How much was that?

Mr. ROLPH. We run usually about 25,000 tons a month.
The CHAIRMAN. The 1st of October you still had 22,222 tons of ws. And how about November—the 1st of November?
Mr. ROLPH. We had very much less.
The CHAIRMAN. How much less?
Mr. ROLPH. I should say 25,000 tons less.
The CHAIRMAN. Twenty-five thousand tons less than 22,000 tons?
Mr. ROLPH. No; 25,000 tons less altogether.
The CHAIRMAN. I can not get your figures. I am asking about raw gars. You had 22,222 tons of raw sugars.
Mr. ROLPH. We melted those sugars up during October and sold em, and had probably not quite the amount that we had received, cause some of that sugar came in in December. There were 18,491 ns received, practically, during November and the early days of ecember.
The CHAIRMAN. So you think you had about 18,000 tons of sugar hand still on the 1st of November?
Mr. ROLPH. Yes. Mr. Brown, who has just come from San Fran-co, tells me that the refinery finished operations in the early days November. So we had no raw sugar on hand, practically none, the 1st of November. It was all refined.
The CHAIRMAN. How much did you have of refined on hand?
Mr. ROLPH. Can you give me that, Mr. Brown?
Mr. BROWN. No; but I can give you the information for the 1st December. About 12,000 tons of refined, and since that we have ceived 2,000 tons new crop, which we are melting there until we art up in January.
Mr. ROLPH. Will you accept that as my answer?
The CHAIRMAN. If you adopt it. You know the gentleman.
Mr. ROLPH. Yes.
The CHAIRMAN. Did you make any effort during the month of ctober to get these sugars that you had on hand to the eastern arket?
Mr. ROLPH. I did; and I sold the bulk of them there.
The CHAIRMAN. How much did you sell, and to whom?
Senator LODGE. Are you speaking of raw sugar?
The CHAIRMAN. I am speaking of refined sugars.
Mr. ROLPH. I have here some telegrams. There are 20 from the ate of Missouri, 12 from Illinois, 9 from Indiana, 12 from Iowa, from Nebraska, 5 from Minnesota, 13 from Kansas, 1 from Wis-nsin, and 2 from California. They read about as follows. This e is from Kansas City, Mo.
The CHAIRMAN. I hope you will not follow the example we had. hope you will answer questions. You started out beautifully on at. Read my question.
The stenographer repeated the questions, as follows:

The CHAIRMAN. Did you make any effort during the month of October to get ese sugars that you had on hand to the eastern market?
Mr. ROLPH. I did; and I sold the bulk of them there.
The CHAIRMAN. How much did you sell, and to whom?

The CHAIRMAN. I do not mean what individuals—what grocers or alers—but how much did you sell and to what class of people?
Mr. ROLPH. We sold in the Missouri River points and in the Chi-go territory about 30,000 tons.

The CHAIRMAN. During the month of October?

Mr. ROLPH. From the 1st day of September until the present time.

The CHAIRMAN. Until the present time?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Is that in the territory that you ordinarily supply?

Mr. ROLPH. It is.

The CHAIRMAN. I inquired what you had sold in the East.

Mr. ROLPH. You mean east of Chicago?

The CHAIRMAN. Yes; in New York and on the Atlantic coast.

Senator LODGE. Where the stringency has been.

Mr. ROLPH. We have not sold any, because the shortage was just as severe in the territory that I am talking about as it was here. If you will let me read one or two of these telegrams as a sample, I think they will elucidate the whole situation.

The CHAIRMAN. In a moment. I want to pursue this line. You will get a chance at that. You are entitled to it. Did you send any raws to any other place?

Mr. ROLPH. Any raws to any other place?

The CHAIRMAN. Yes.

Mr. ROLPH. No, sir.

The CHAIRMAN. Did you make any effort to get transportation for any of these raw sugars you had on hand to any other place?

Mr. ROLPH. Yes; not transportation. I tried to get some sugar shipped on here.

The CHAIRMAN. Raw sugar?

Mr. ROLPH. Raw sugar.

The CHAIRMAN. When did you make that effort?

Mr. ROLPH. About the middle of October.

The CHAIRMAN. Was it railroad transportation you were seeking, or boat?

Mr. ROLPH. I was not seeking the transportation at all, but I knew the transportation situation was almost impossible. There are sugars that left San Francisco on the 8th of September that are not here yet—raw sugars.

The CHAIRMAN. What I asked you was whether you tried to get transportation so that you could ship your sugar to the East?

Mr. ROLPH. There was so much raw sugar offered East that could not be handled that it was useless.

Senator LODGE. In the East?

Mr. ROLPH. To come East; yes.

The CHAIRMAN. Please answer my questions. Did you make any effort to get any transportation for your raw sugars to send them on to the East?

Mr. ROLPH. No, sir.

The CHAIRMAN. And you made no effort to send any of your sugars on to the Atlantic coast or to that territory?

Mr. ROLPH. I did.

The CHAIRMAN. What effort did you make there?

Mr. ROLPH. I telegraphed to our people asking them if they could not send it on.

The CHAIRMAN. You telegraphed from here?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. When did you telegraph?
Mr. ROLPH. About the middle of October.
The CHAIRMAN. Have you that telegram with you?
Mr. ROLPH. I have a copy of it.
The CHAIRMAN. Just read that telegram.
Mr. ROLPH. That telegram is as follows:

EXHIBIT No. 64½, ROLPH No. 1.

SAN FRANCISCO, CAL., *Dec. 18, 1917.*

GEORGE M. ROLPH,
Care C. M. Foote, Postal Tel. Co., Washington, D. C.:

August 28 you wired us as follows: "After October 15 refined sugar will pro
bly be 7.25; will planter release us from taking 10,000 tons, they shipping
East; if not, what do you think our shipping raws New York, provided I c
ell them, with idea closing refinery about October 15; keep what berry we mal
nd withdraw from market, when all gone allowing beet to supply trade t
ew crop in January? This will allow ample time move machinery packi
ouse and save large loss. Wire complete statement raws and refined on hat
nd raws yet to come and amount sold but not delivered. Push refinery utmo
apacity. Consult Wallace Alexander." To this we replied: "Referring yo
elegram August 28, executive committee unanimous in opinion not wise to r
uest factors release refinery from taking 10,000 tons additional; neither do
ommittee favor shipping raws East and withdrawing from market, as th
eel that refinery's regular customers should be taken care of and that the
ill be grave danger heavy loss will be incurred on account of changing ra
arket; executive committee prefers refine here, taking chances on marke
ransportation difficulties virtually insuperable present time."

CALIFORNIA & HAWAIIAN SUGAR REFINING CO.

The CHAIRMAN. Let me see if I understand that. Have you t
elegram that you wired to them?
Mr. ROLPH. No, sir.
Senator KENYON. Both of the telegrams are upon this one she
rom which you read.
The CHAIRMAN. Did they repeat back your telegram?
Mr. ROLPH. I do not keep copies of the telegrams. I usually wri
nem between 1 and 2 o'clock in the morning.
The CHAIRMAN. This telegram which you have handed me is
elegram from the California & Hawaiian Sugar Refining Co. a
ressed to you.
Mr. ROLPH. Yes.
The CHAIRMAN. And I am asking for your telegram to them.
Mr. ROLPH. It is right there in the beginning of that telegram.
The CHAIRMAN. Repeated in this message?
Mr. ROLPH. Yes.
The CHAIRMAN. Is it repeated in full?
Mr. ROLPH. That is correct.
The CHAIRMAN. And the California & Hawaiian Sugar Refinin
Co. states that the executive committee have turned down your r
uest? That is the amount of it?
Mr. ROLPH. Yes.
(The telegram referred to was marked "Rolph 1, Exhibit N
4½.")
The CHAIRMAN. This document, the telegram, "Rolph 1," whic
ou have handed me, and which I think I have now in corre
hape in my mind, is dated December 18, 1917; so that the day befo
esterday you wired the California & Hawaiian Sugar Refining Co. fc
he telegram which you sent them and for a copy of their reply, an

this telegram, "Rolph 1," that we are putting in evidence here, and which you have read, is their telegram to your last message?

Mr. ROLPH. That is correct.

The CHAIRMAN. I want to know now the date of the telegram which your people sent you in reply to your message of August 28. When did you get the answer? I do not think the date is given here.

Mr. ROLPH. It must have been within a day or two.

The CHAIRMAN. The executive committee which refused your request was the executive committee of your own company?

Mr. ROLPH. Yes.

The CHAIRMAN. I notice that in this telegram of August 28 which you sent to them you asked them what they thought of releasing 10,000 tons and shipping the raws to New York. Did you believe that those 10,000 tons were necessary or desirable when you made that request?

Mr. ROLPH. Yes; I thought so.

The CHAIRMAN. Did you think that it was a thing that your company ought to do—this thing that you recommended?

Mr. ROLPH. I thought it was a business thing to do.

The CHAIRMAN. Did you think it was also a good thing for the country?

Mr. ROLPH. Yes; I thought there was going to be a shortage of sugar here.

The CHAIRMAN. And you thought it would be a good business thing for them to do?

Mr. ROLPH. Yes.

The CHAIRMAN. And they did not do it?

Mr. ROLPH. No.

The CHAIRMAN. And that ended the effort to get sugar through?

Mr. ROLPH. No; they held it there and shipped it into the territory of their regular customers. They preferred to protect their regular customers rather than to ship it here.

The CHAIRMAN. They protected them pretty well out there, did they not, at least in Missouri?

Mr. ROLPH. No; if you will read these famine stories, of which I have about 80 here, you will realize——

Senator KENYON. But they are not all from Missouri?

Mr. ROLPH. No.

The CHAIRMAN. You know I live there, and I know how they are getting along.

Mr. ROLPH. This was the only sugar that saved the situation in those States.

Senator JONES. What States were they?

The CHAIRMAN. I do not believe that we will want to put into the record the telegrams that you received, though we might have Mr. Rolph read one of them, which he will say is a fair sample, and then he may file the rest of them, and we will digest them in some way here.

Mr. ROLPH (reading):

Beyond question of doubt, had it not been for the service of the C. & H. Co.—

The CHAIRMAN. Oh, we do not want that kind of a telegram. That is the opinion of an unsworn witness. I thought you had some telegrams here calling upon you for sugar.

Senator LODGE. This would demonstrate that there was a
Mr. ROLPH. These are telegrams from wholesale houses th
ose States.
The CHAIRMAN. What is the date of that?
Mr. ROLPH. December 18.
The CHAIRMAN. You wired out there to get some telegrar
Mr. ROLPH. Yes; I wired to our representative in Kansas
ked him what the situation was there, because I knew wh
d I wanted it confirmed by themselves.
The CHAIRMAN. Will you give us the copies of those teleg
u sent?
Mr. ROLPH. Yes.
Senator KENYON. This occurred since this hearing began
Mr. ROLPH. Yes.
Senator JONES. Do your telegrams state what the conditi
at territory during October and November?
Mr. ROLPH. They do.
Senator LODGE. Was not this territory covered by thos
it not largely a beet-sugar territory?
Mr. ROLPH. There was no beet sugar available at that tim
Senator LODGE. None available as early as October 15?
Mr. ROLPH. No.
The CHAIRMAN. None from California?
Mr. ROLPH. There were some from California, but n
ough. The first of the California beet sugars were tak
overnment. There were very large amounts of sugar ship
lifornia to the Army and Navy. There were one or two t
ought at that time for the Navy at the Brooklyn Navy Y
avy consignments of it, which took a large part of the
rnia beet.
The CHAIRMAN. If I understand you, this large bundl
ams that you have produced here are in answer to a tele
u sent out asking certain questions, and you sent your
o or three days ago.
Mr. ROLPH. I did.
The CHAIRMAN. I do not think that sort of evidence is
e might want to examine those witnesses if they were h
rdly think we want to go into that.
Senator JONES. State what the situation was in those St
supply of sugar?
Mr. ROLPH. The situation in those States at that time
ey were practically bare of sugar.
Senator JONES. What States?
Mr. ROLPH. All the Middle West—Missouri, Kansas,
wa, Indiana, Illinois, Minnesota. Practically all of th
re bare of sugar, and that was the only sugar available at
that sugar had not gone there and been sold there and d
the trade there, the situation would have been worse th
en on the Atlantic coast.
Senator JONES. And these telegrams merely corroborate t
ent which you have just made?
Mr. ROLPH. That is correct. Furthermore, it would l
possible to ship any sugar from San Francisco subseque
ber 1. As I have just stated, there are probably 240 car

now on their way, that left San Francisco on dates ranging between September 8 and October 1, and that are tied up in a jam between here and Chicago. I would like to read this telegram from Edward Chambers, whom I asked to make a statement in regard to the situation.

The CHAIRMAN. Before you do that, you say that it would have been impossible to get these sugars East after what date?

Mr. ROLPH. After October 1.

The CHAIRMAN. How about it, if you had commenced to move them east in August at the time that you wired your people to send them here, and when you thought it was proper to have them here in the East?

Mr. ROLPH. I do not think they ever would have arrived.

Senator LODGE. How did the National and the Pennsylvania keep going on Hawaiian sugar if it was impossible to get it through?

Mr. ROLPH. It is these sugars that are now referred to, between here and Chicago.

Senator LODGE. The National and the Pennsylvania have not closed down.

Mr. ROLPH. They have been running on limited capacity.

Senator LODGE. They get some crude?

Mr. ROLPH. Yes; some arriving every day.

The CHAIRMAN. You thought when you wired in August that the sugars would get through, did you not?

Mr. ROLPH. Yes; I did.

The CHAIRMAN. On August 28?

Mr. ROLPH. Yes.

The CHAIRMAN. You were pretty familiar with the transportation situation at that time?

Mr. ROLPH. Yes.

The CHAIRMAN. And you thought then that it would get through?

Mr. ROLPH. I knew they would be delayed, but I thought they would get through; yes.

The CHAIRMAN. They would not get through on express time, but they would get through? When did you become connected in any way with the Food Administration?

Mr. ROLPH. Mr. Hoover telegraphed for me about the latter part of June. I arrived here about the end of June.

The CHAIRMAN. Was that before or after the food-control bill had been passed?

Mr. ROLPH. That was before.

The CHAIRMAN. Do you know who recommended you to Mr. Hoover?

Mr. ROLPH. I do not.

The CHAIRMAN. When you came here what functions did you enter upon, what duties?

Mr. ROLPH. I first met Mr. Hoover and refused to accept the assignment. I waited here for probably a week and suggested several other names to Mr. Hoover. I told him that it was impossible for me to accept this position that he wanted me to take because I was practically the engineer of the new construction work at our plant, where we are expending $3,000,000 in a new refinery, or in rebuilding around the present refinery, and that as I conceived the idea it was essential that I should be out there. He refused to accept my refusal.

d he finally said: "Mr. Rolph, if you will say to me that
rsonal interests and the interests of your company are para
your duties as an American citizen, I will release you." I
t say that, and so he finally forced me to take this position.
The CHAIRMAN. At that time the food-control bill had not
ssed?
Mr. ROLPH. No.
The CHAIRMAN. He was not an officer of the Government?
Mr. ROLPH. No.
The CHAIRMAN. And when you accepted this position what
u to do?
Mr. ROLPH. I was to try to regulate and have charge of the
vision of the food control.
The CHAIRMAN. And what were you going to do? What w
derstanding about what you were going to do?
Mr. ROLPH. That was the problem. The problem was to
ntrol the sugar situation, to eliminate speculation in sugar, to
the consumer a fair and equitable price, and at the same t
r price for the producer that would stimulate production.
The CHAIRMAN. Were you going to reduce the price so th
ople would get cheaper sugar—the consumer would get ch
gar—or were you going to boost the price so he would pay
hat was your objective? That is what I want to get at.
Mr. ROLPH. My objective was to ascertain, first, what th
ice for sugar was in the conditions prevailing and then
ablish it on that basis.
The CHAIRMAN. You did not start in with the idea that you
ng to reduce the prices or with the idea that you were goi
t them up. You were going to find out what was fair and fi
ce?
Mr. ROLPH. Yes. I had an idea that there would be a consid
luction in the price at that time.
The CHAIRMAN. How low did you expect the price to go?
Mr. ROLPH. I had an idea that the Cuban sugars ought to b
ised at about 4¼.
The CHAIRMAN. The new Cubas?
Mr. ROLPH. Yes. In fact, even less than that.
The CHAIRMAN. But as to the old crop, how was it? Let
this. I think we will get at it all right, for you seem to w
so frank about these matters. The sugar crop in Cuba had
ng to the bottom of the barrel, so to speak.
Mr. ROLPH. Yes.
The CHAIRMAN. And at that time always, or nearly alwa
ent years, there has been an advance in the market, and tha
urred this year. That is the situation?
Mr. ROLPH. Yes.
The CHAIRMAN. Now, when you speak about a reduction
ce of sugar, do you refer to a reduction below that high
t was fixed on the fag end, or do you mean a general reducti
Mr. ROLPH. I recommended to Mr. Hoover that nothing be
h the sugar situation until the fall of the year.
The CHAIRMAN. Then when you say you thought there coul
luction in the price of sugar, you mean a reduction over th
l prices that had prevailed prior to that time?

Mr. ROLPH. No; I knew that the prices would be considerably higher than normal prewar prices, on account of the increasing cost of production.

The CHAIRMAN. I do not mean prewar prices. Do not let you and I get into cross purposes, because I do not believe we need to. You spoke a little bit ago about having an idea that you could reduce the price of sugar. Of course the price of sugar when you got near the end of the old Cuban crop had always run up high. Was it that price that you expected to reduce, or the general level of the sugar prices that you expected to work a reduction in?

Mr. ROLPH. I expected to ascertain what a fair price for sugar was and then make a calculation.

The CHAIRMAN. No; that is not an answer to my question. You said that you expected to work a reduction in the sugar price. Was it a reduction from the general level of sugar prices, or was it simply a reduction from the high point that sugar prices might have reached at the end of the sugar crop?

Mr. ROLPH. It was a general reduction.

Senator LODGE. Your purpose was to lower the price of sugar to the consumer and at the same time stimulate the production?

Mr. ROLPH. Yes.

Senator LODGE. That is a very interesting experiment.

The CHAIRMAN. Of course, the sugar question that you had in mind now embraced not only the cane sugars but the beet sugars?

Mr. ROLPH. Yes.

The CHAIRMAN. We will take it up now from the standpoint of the stimulation of production. There was no difficulty about refining capacity. At this time there were plenty of refineries in which to refine all of the sugars the country needed.

Mr. ROLPH. Yes.

The CHAIRMAN. And there were plenty of beet sugar factories to take care of the beet crop?

Mr. ROLPH. Yes.

The CHAIRMAN. So that the point now where you were stimulating production must have been the beet farmer and the cane grower. That is correct, is it not?

Mr. ROLPH. Yes.

The CHAIRMAN. Did you at any time stipulate a price which should be paid to the beet farmer for his beets?

Mr. ROLPH. I did not.

The CHAIRMAN. Did you regulate that price?

Mr. ROLPH. The beet price?

The CHAIRMAN. Yes.

Mr. ROLPH. No.

The CHAIRMAN. Of course you could not increase the beet acreage for the present year because you did not come in until the beets were planted. Did you take any steps to secure larger prices or returns to the farmer on his beets for the crop to be planted next year?

Mr. ROLPH. I had many conversations with the beet producers—that is, the factory people—upon that subject.

The CHAIRMAN. So that we will not get confused in terms, you mean the beet manufacturers?

Mr. ROLPH. Yes.

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Mr. ROLPH. Th
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Mr. ROLPH. Yes.
The CHAIRMAN.
ices that have bee
ve been agreed to

Mr. ROLPH. Yes, sir.

The CHAIRMAN. You were one of the men who participated in fixing the price for this year's beet sugar crop?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Who participated in that besides yourself, as representing the Government?

Mr. ROLPH. Mr. Hoover.

The CHAIRMAN. Anybody else?

Mr. ROLPH. No; I think not. Mr. McGinnis, of the sugar division, also.

The CHAIRMAN: That is, of the sugar division of the food administration?

Mr. ROLPH. Of the food administration.

The CHAIRMAN. When was it that this price of $7.25 was agreed to?

Mr. ROLPH. Some time in August, and confirmed later at a general meeting on September 19.

The CHAIRMAN. Who fixed it in August?

Mr. ROLPH. A committee.

The CHAIRMAN. Of whom?

Mr. ROLPH. A committee of beet men.

The CHAIRMAN. That is, beet manufacturers?

Mr. ROLPH. Yes.

Senator LODGE. Beet-sugar men?

The CHAIRMAN. Beet-sugar men. The manufacturers and not the producers?

Mr. ROLPH. The manufacturers of the beet sugar—the beet-sugar companies.

The CHAIRMAN. You say in August; what time in August?

Mr. ROLPH. We had some discussions in the latter part of August or the early part of September. I would have to look that up.

The CHAIRMAN. Were these beet-sugar manufacturers here at this time, a considerable number of them?

Mr. ROLPH. They came to Washington at my request.

The CHAIRMAN. Who came, now? Give us the names as rapidly as you can.

Mr. ROLPH. Col. Edgar of Detroit, Bishop Nibley of Utah, Mr. Petkerton of Chicago, Mr. Oxnard and Mr. Truman G. Palmer, and on the week ending September 19 all of the beet manufacturers in the United States were here in Washington and participated in a conference.

The CHAIRMAN. A conference between themselves and yourself and Mr. Hoover?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. And you all agreed, on September 19, on $7.25 as the price for sugar for the present year's beet crop?

Mr. ROLPH. It was subject to negotiation. It was a voluntary agreement that was to be entered into, and a maximum price of $7.25. I had endeavored to make the price 7 cents, but I found so much opposition on the part of the beet people that it was finally accepted by Mr. Hoover at $7.25.

The CHAIRMAN. That was purely voluntary? There was not any kind of pressure brought on a single man?

Mr. ROLPH. Well, I consider it a voluntary agreement.

The CHAIRMAN. Do you not know that these men were brought
here and told that they practically had to make this agreement; d
you not know that? Now, come, Mr. Rolph, let us be frank.
Mr. ROLPH. No; if they did not want to come into that agreeme
they did not have to.
The CHAIRMAN. What would happen to them if they did no
They would not get any licensse, would they?
Mr. ROLPH. No; there were some of them that did not go into
and their licenses were not taken away.
The CHAIRMAN. They have not been taken away yet?
Mr. ROLPH. And they will not be, so far as I know.
The CHAIRMAN. How many did not come in?
Mr. ROLPH. At least three.
The CHAIRMAN. Where are they?
Mr. ROLPH. In Wisconsin.
The CHAIRMAN. Where else?
Mr. ROLPH. I think that is all.
The CHAIRMAN. Three in Wisconsin?
Mr. ROLPH. Yes.
The CHAIRMAN. Who are those?
Mr. ROLPH. The Chippewa, the United States, and the Wisconsi
Beet Sugar Cos.
The CHAIRMAN. Those are the three companies?
Mr. ROLPH. Yes.
The CHAIRMAN. Now, the beet-sugar manufacturers were her
They are the people who buy the beets from the producers and tu
them into sugar, are they not?
Mr. ROLPH. Yes.
The CHAIRMAN. Were the beet producers here at these confe
nces?
Mr. ROLPH. No, sir.
The CHAIRMAN. $7.25 was a better price than beet sugar brougl
ast year, was it not?
Mr. ROLPH. Pardon me; there was a representative of the Mich
an farmers at the conference in September, I think.
The CHAIRMAN. Did he succeed in getting any provision in th
ontract that the beets were to be paid for at any particular price
Mr. ROLPH. No; he told me that he was at the last hearing, an
fter having heard what I had to say on the subject and what M
Hoover had to say on the subject, he was perfectly satisfied and wa
oing back——
The CHAIRMAN. But answer my question. He did not get an
tipulation in the contract and you did not put any in, that th
eets were to be paid for at any particular price?
Mr. ROLPH. There is no particular provision in the food-contr
ill for fixing the prices of farm products.
The CHAIRMAN. There is no provision in the food-control bi
or fixing the price of anything, is there?
Mr. ROLPH. Yes; there is.
The CHAIRMAN. What?
Mr. ROLPH. Wheat.
The CHAIRMAN. Oh, no. Congress fixed the minimum for nex
ear's wheat and made a minium of $2.

Mr. ROLPH. It gave the Government the right to fix the price.

The CHAIRMAN. It did not give it the right to fix the price. It gave it the right to buy and sell.

Senator LODGE. On the matter of the beet, do you know Mr. Woolbine?

Mr. ROLPH. I have met him here; yes, sir.

Senator LODGE. He was here day before yesterday?

Mr. ROLPH. Yes, sir.

Senator LODGE. He said they were then considering whether there would be any price fixed for beets by Mr. Hoover.

Mr. ROLPH. Mr. Hoover will take that question up, and at the request of the beet farmers of several different sections of the country will, as I understand it, create a commission to investigate the whole matter and hear both sides of this controversy, and see——

Senator LODGE. They have not fixed it finally—the price?

Mr. ROLPH. The prices have been raised, and the beet manufacturers have offered contracts to the farmers at a certain price.

Senator LODGE. The farmers were satisfied with those prices and did not reject them, did they?

Mr. ROLPH. I understand a large part of them have accepted them and are satisfied with them, but some are not satisfied.

Senator VARDAMAN. Was there any agreement about raising the price of beets for this crop? When you gave the prices of this crop of beets—you came in before they commenced the manufacture of beets into sugar?

Mr. ROLPH. This crop is practically finished. It all refers to next year.

Senator VARDAMAN. I know; but they have raised the price of beets since you came into the office?

Mr. ROLPH. They are raising the price of beets—they have raised the price of beets—for the next year's crop.

Senator VARDAMAN. Not this year's crop?

Mr. ROLPH. This year's crop was all planted last spring.

Senator VARDAMAN. I understand; but it says "manufactured."

Mr. ROLPH. I know; but the contracts have been made a year ago for this year's crop.

Senator JONES. They contract for the beets before they are planted.

Mr. ROLPH. They contract for the beets at least six months in advance, so that these contracts that they are talking about now are for the next crop of beets.

Senator VARDAMAN. I understasd that; but is not the price of beet sugar now higher than it was when the contract was made with these people for the beets last year? Have you not raised the price of beet sugar for this year?

Mr. ROLPH. Yes.

Senator VARDAMAN. And no proportionate raise has been made for the beets of which the sugar is made, for this year, has there?

Mr. ROLPH. I think the price of beets has been raised proportionately.

Senator LODGE. For next year?

The CHAIRMAN. This year.

Senator VARDAMAN. For this year. They have raised the price f beet sugar for this year. Now, I want to know whether there is proportionate raise that has been made for the price of beets of hich this crop of sugar is made.

Mr. ROLPH. Many of the contracts for beets are based on the price f sugar. Consequently, with an increase in the price of sugar or decrease in the price of sugar the price of beets goes up or down; ut not down below the base price.

Senator VARDAMAN. Then there will be an increase in the price f beets in proportion to the increase in the price of sugar?

Mr. ROLPH. Yes.

Senator VARDAMAN. This year?

Mr. ROLPH. Yes.

The CHAIRMAN. Do you mean to say that these beet contracts all rovide that the price of beets shall be regulated by the price of gar?

Mr. ROLPH. No, sir; I do not.

The CHAIRMAN. Very well.

Mr. ROLPH. I say that a number of them will.

The CHAIRMAN. A number of them.

Mr. ROLPH. Yes.

The CHAIRMAN. Now, the beet contracts under which the present eet crop is being delivered and has been delivered, were made prob-ly a year ago?

Mr. ROLPH. Yes.

The CHAIRMAN. Or nearly a year ago.

Mr. ROLPH. That is right.

The CHAIRMAN. If any of those contracts provided for an in-reased price on beets if the price of sugar went up, then those people olding those contracts got the benefit of it; but if the contracts iled to contain such provision, then the producer did not get the nefit; that is right?

Mr. ROLPH. That is right.

The CHAIRMAN. And you do not now know the proportion of these ntracts which contain a clause making the one price dependent on the other, as to the whole of the contract?

Mr. ROLPH. No; I do not.

The CHAIRMAN. And when you fixed these prices you did not un-rtake to ascertain?

Mr. ROLPH. The price of beets?

The CHAIRMAN. Yes.

Mr. ROLPH. No, I did not; not until afterwards. The whole ques-on was up for discussion at that time.

The CHAIRMAN. Yes, of course.

Mr. ROLPH. Naturally the question of beets and the cost of beets nd prices that they were to pay for them was discussed, and it was nderstood that there would be a substantial increase in the price beets.

The CHAIRMAN. Did you inquire as to what profits—have you quired as to what profits—were being made by these beet-sugar ctories. When you came to fix this price that the American people ere to pay for sugar, did you inquire what the profits were that ere being made by the beet-sugar men?

Mr. ROLPH. Yes, I did. I took the statement of the Federal Trade Bureau.

The CHAIRMAN. The Federal Trade Commission, I suppose you mean?

Mr. ROLPH. Yes. That showed the cost of beet sugar at that time, and I got the best information I could from the beet people themselves in regard to the increasing cost of production, and really believe that the cost of production this year is something over 5 cents, average, factory cost.

The CHAIRMAN. I call your attention now to a statement here of the American Beet Sugar Co., as follows. This is headed "Bache Review Supplement, December 15, 1917."

AMERICAN BEET SUGAR CO.

Capitalization:	
Preferred, 6 per cent noncumulative, par $100	$5,000,000
Common, par $100	15,000,000
Total	20,000,000

That makes a total of $20,000,000.

The statement further shows that for the year ending March 31, 1917, the net earnings amounted to $38 a share on the capital stock after the preferred dividends had been paid, and after charging off for depreciation amounting to $30 a share. Did you examine into such questions as that?

Mr. ROLPH. I was taking averages.

The CHAIRMAN. Yes.

Mr. ROLPH. There is no doubt that some of these beet companies were making very large amounts of money. Others are not.

The CHAIRMAN. In connection with this, did you stop to examine and ascertain whether the $15,000,000 of common stock was not entirely water?

Mr. ROLPH. I did not pay any attention to it.

The CHAIRMAN. Did you stop to examine whether or not it was a fact that the beet-sugar companies, speaking by and large, have been making enormous profits upon their real investments? Did you stop to investigate that?

Mr. ROLPH. I knew it.

The CHAIRMAN. You knew that?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Some of them have been making astonishing profits, have they not?

Mr. ROLPH. I would not say that. I know some of them have been making very large profits, but there are some that have not.

The CHAIRMAN. Well, nearly all of them have been, have they not—all except a few lame ducks that you find in every business?

Mr. ROLPH. No; the average cost of producing beet sugar, according to the report, was 3.74-3.78.

Senator LODGE. I thought you just said it was over 5.

Mr. ROLPH. No; I said that was their cost——

Senator LODGE. 3.74 was what I understood.

Mr. ROLPH. 3.74.

Senator LODGE. But you said just now that the cost was over 5.

Mr. ROLPH. I said that I think the cost this year, the cost now——

Senator LODGE. Oh, the cost now?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. The cost at the time you fixed this price—do you say that was 5 cents or over 5 cents?

Mr. ROLPH. I say that from the best information that I had, taking 64 factories, which represented 96 per cent of the sugar, the average cost was 3.74.

The CHAIRMAN. When you fixed the wholesale price of sugar at 7.25?

Mr. ROLPH. That was the prewar period.

The CHAIRMAN. What was the prewar period?

Mr. ROLPH. This 3.74, according to Sheridan's report here.

Senator LODGE. No later than 1914?

Mr. ROLPH. Well, it was for the years 1913–14.

The CHAIRMAN. What investigation did you make as to the costs at the time that you fixed the price?

(At this point a gentleman in the room made a whispered suggestion to the witness.)

The CHAIRMAN. I want to be perfectly kindly about this matter, but I think a suggestion to a witness ought to be made so that we can all hear it, and then we will know the source of it.

Mr. ROLPH. I asked each of the producers. It is a very difficult thing to ascertain costs without a very long investigation. I think it took Mr. Sheridan nearly a year to get out this book; and inasmuch as the beet price was a temporary arrangement for one crop only, and was put into effect on account of the very high price of sugar at the time, I might say that in July I left here and went out to San Francisco and came back in August, about the middle of August, and there was no intention at the beginning of the sugar division of the Food Administration of touching the price of beet sugar at all. The object in going into the beet arrangement was on account of the then very high prices that were prevailing, and the object was—I realized at that time that there would be a shortage of sugar and that hoarding would start in, and that it was necessry to do something to check the tendency of the increasing price of Cuban sugars and the increasing hoarding of the commodity, and I thought that the best way to check that was to make this voluntary arrangement with the beet people. Under normal conditions the beet price always follows the Cuban price.

The CHAIRMAN. So, because the Cuban price was too high, you thought you would raise the beet price, and that would have a tendency to lower the Cuban price?

Mr. ROLPH. There was no beet sugar in the market, to speak of, at the time. California was in a little bit, but the——

The CHAIRMAN. But it was coming in?

Mr. ROLPH. We expected it to come in, beginning the 1st of October.

The CHAIRMAN. So because the price of cane sugar in Cuba was too high, you thought you would reduce that by fixing the price of beet sugar high?

Mr. ROLPH. Refined sugar was selling in New York at that time anywhere from 8.50 or 8.60 to 9.15. There was a very small amount of sugar left in Cuba. It was continually advancing, and I thought

that an arrangement with the beet people would tend to stop that terrific advance in the price of raw sugar and would also stop the hoarding.

The CHAIRMAN. But the lower you fixed that price of beet sugar which was yet to come upon the market, only a little being there, the more it would tend to drive down the high prices that were being paid, and the more it would tend to stop people speculating?

Mr. ROLPH. I think it did that very effectually.

The CHAIRMAN. You say you fixed it high to do the very thing that it would seem low prices ought to have produced?

Mr. ROLPH. No; I did not say that I fixed it high. I said I fixed it finally; Mr. Hoover accepted a price of 7.25, because we could not do any better.

The CHAIRMAN. I understood you to say a moment ago, and I can not be in error in my recollection, that you fixed it at this high figure in order to stop the mounting price of sugar and the hoarding. We will pass from that. Now, is it or is it not a fact that when you fixed this price, which you say was to be purely temporary, an agreement was made between the planters?

Mr. ROLPH. There was a voluntary agreement entered into between the food administrator and the beet-sugar producers of this country.

The CHAIRMAN. Have you that agreement?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Will you please let us have it?

(The witness produced a paper.)

Mr. ROLPH. This was the lowest price that the beet people fixed for a contract that they would enter into with the Government. We had to accept or reject that contract.

The CHAIRMAN. And if you had rejected it the result would have been that these beet-sugar men would have had to sell their sugars for whatever prices they could get; and if you had not made any contracts at all with anybody the result would have been that everybody would have been selling his sugar in the market, each against the other?

Mr. ROLPH. Yes. I think it would have sent the price of sugar up to about 20 or 25 cents, and we would have had a great deal of it hoarded throughout the country.

The CHAIRMAN. You think that, of course; but the fact of the matter is that we have had a European war since about the 2d day of August, 1914, that in that time there have been three sugar crops harvested, and that before your board ever took control the average prices were very much lower than they have been since. That is the fact about it, is it not?

Mr. ROLPH. No; I do not think so.

The CHAIRMAN. Very well. The figures, of course, will show.

Mr. ROLPH. What period are you talking about?

The CHAIRMAN. I am talking about the general period. I am not talking about a high price for one day or a high price for another day, and I am not talking about any charts or plats. I just want to know if, as a matter of cold fact, the general average prices of sugars in 1914 were not less than they are to-day?

Mr. ROLPH. Why, of course they were less. Everything was less.

The CHAIRMAN. And I want to know if, as a matter of fact, the average prices during 1915 were not less than they are to-day? What is the answer to that?

Mr. ROLPH. The average price of sugar in 1915 was 5.56 net; in 1916 it was 6.88, and in 1917 it went as high as 9.15.

The CHAIRMAN. No; but what was the average? Not how high did it go, but what was the average?

Mr. ROLPH. The average of what?

The CHAIRMAN. Of 1917, up to the time you took control—October 1?

Mr. ROLPH. It is very difficult to tell the average price, but it was somewhere in the neighborhood of 7.75, I should judge.

The CHAIRMAN. For the year 1917, up to the 1st of October?

Mr. ROLPH. I should say so.

The CHAIRMAN. The average price was 7 what—the wholesale price?

Mr. ROLPH. It depends on whose prices you take.

The CHAIRMAN. I am talking about the average price at which the sugar was disposed of. Of course you know as a sugar man—and you and I must not get to haggling here—that the great quantity of that crop was disposed of in the early part of the year.

Mr. ROLPH. Which crop are you talking about?

The CHAIRMAN. I have been talking about the whole sugar crop; but, if you desire to take it, we will take the beet sugar crop. The average price of the beet sugar crop for 1916 and 1917 up to October 1——

Senator LODGE. It had not been sold.

The CHAIRMAN. Had not that been sold? We can omit that, then, because the beet sugar crop had not been sold for 1917 on October 1.

Mr. ROLPH. No.

The CHAIRMAN. Now, the cane sugar crop for 1917, up to October 1; taking into consideration now the volume of business and the time of the sales, what was the average price?

Mr. ROLPH (after making computation). I should say that the lowest average price for the year was 7.72, based on the average prices of raw sugar and the average margins; that is, taking the average price. Willett & Gray give the average cost this year to date as 6.23.

The CHAIRMAN. Willett & Gray give it?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. They give the average cost of raw sugar this year to date at what?

Mr. ROLPH. Average market, 6.23.

The CHAIRMAN. Well, then, why do you vary from Willett & Gray?

Mr. ROLPH. How do you mean? I do not.

Senator LODGE. And you have now reduced beet sugar in Boston to 8.15?

Mr. ROLPH. Yes, sir. I say 6.23 is the average of that line.

The CHAIRMAN. Well, that is what I have been asking you. This line you point to is the price line?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Now, for the first 10 months, so there will be no misunderstanding, the price of sugar for 1917 up to October 1 averaged what?

Mr. ROLPH. I have not got the average up to October 1; but the average to December 15, here, which would make it lower, is 6.23.

The CHAIRMAN. Do you mean to say that by averaging from October 1——

Mr. ROLPH. No; higher; 6.23—no; a little bit higher.

The CHAIRMAN. Yes, sir; so that 6.23 is higher than the average price from January 1 to October 1, 1917. That is a little above the average, 6.23, is it not?

Mr. ROLPH. Yes.

The CHAIRMAN. And on September 19 you fixed the price for beet sugar at 7.25?

Mr. ROLPH. No; the beet people fixed the price of beet sugar.

The CHAIRMAN. Very well; the beet people fixed it. You agreed. You brought them here. You put them into a contractual combination; you supervised the contract, and then made it into a contract by signing it as one of the parties. That is all true, is it not, and this is the contract?

Mr. ROLPH. That is the contract.

The CHAIRMAN. I think we had better read that, and then I think we had better quit.

Senator LODGE. Yes.

Senator VARDAMAN. Just before you read that, Senator, you say the beet people made the contract at that price—the people who were to profit by the increase in the price? Is that the way the food administration makes prices, by permitting the interested parties to fix the price?

Mr. ROLPH. It was a voluntary agreement. The food administration either has to accept the price that the other contractual party is willing to accept or a contract is not possible.

Senator VARDAMAN. I believe it would have been better for the consumer, then, if you had not had anything to do with it, would it not?

Mr. ROLPH. No; I disagree with you, because you can see where the prices were, and with this famine of sugar on now from this time on, the prices of sugar would have gone, in my opinion, to almost any limit.

The CHAIRMAN. Provided you did not make the famine.

Mr. ROLPH. We did not make the famine and had nothing to do with it.

The CHAIRMAN. That is a question of deduction.

Senator JONES. At the time you made that price of 7.25 the market price was higher, was it not?

Mr. ROLPH. It was up as high as—here is the proposed——

The CHAIRMAN. Oh, no.

Senator JONES. Yes; it was.

Mr. ROLPH. This price was here [indicating on chart] and the market was here [indicating on chart]; and one of the principal objects in making that price and the notice of it was that it brought out the invisible supply of sugar throughout this entire country, and the people, instead of hoarding sugar—the jobbers, instead of hoarding sugar, and the retailers and the consumer—got rid of their sugar, shoved it out into the channels of trade, or the panic would have started a great deal earlier and been a great deal worse, and there is no telling where the price of sugar might have gone to.

The CHAIRMAN. That is your opinion. Let us stick, however, to some facts that we may know about.

You speak about the price of sugar in October being lower than the high point which was reached in the month of August. As a matter of fact, the month of August is the month when the Cuban sugars are pretty well exhausted, when the general sugar supply is lowest, and sugar prices at that time are nearly always at the high point. Is not that true?

Mr. ROLPH. Yes; it is usually true.

The CHAIRMAN. Your reduction which you speak of is a reduction below the high point; and, substantially speaking, that same reduction has occurred every year below the high point about the same time that it occurred this year?

Mr. ROLPH. Only——

The CHAIRMAN. Only it has gone a good deal lower down?

Mr. ROLPH. Only, on account of the conditions that have prevailed—we are not in normal times—the stock of sugar was exhausted, and everybody knew it. There was no sugar available, as has been demonstrated, and there is no telling to what heights the prices might have gone.

The CHAIRMAN. Of course, I am just asking you whether or not it is true that substantially every year there came a high point in sugar, not always in the month of August, but at about the period when the old crop was exhausted, and that it then would go down in the months of October and November, when the new crops came in. That has been true regularly, has it not?

Mr. ROLPH. There have been exceptions.

The CHAIRMAN. Well, but that has been the rule, has it not?

Mr. ROLPH. Yes.

The CHAIRMAN. And now the sugar crop has gone down this year somewhat below the high point, but has not gone down nearly as far as it has in ordinary years? I am just asking for the fact, not the reason. That is the fact, is it not?

Mr. ROLPH. Yes.

The CHAIRMAN. Now I will put in evidence the contract.

(The chairman then started to read the contract, when, upon the suggestion of Senator Lodge, it was ordered to be printed in the record, as follows:)

EXHIBIT No. 65.

(Rolph, No. 2.)

AGREEMENT WITH UNITED STATES FOOD ADMINISTRATION.

This agreement entered into this ——— day of ————, 1917, between the President of the United States, acting by and through Herbert Hoover, United States food administrator, and ————, of ————, hereinafter called the producer, witnesseth, that:

Whereas the United States food administrator, pursuant to the act of Congress approved August 10, 1917, known as the "food-control act," is about to issue regulations relating to the conduct of the business of all persons importing, manufacturing, storing, or distributing sugar, and desires under said act to secure an equitable distribution of the sugar crop of 1917–18, and to prevent unjust, unreasonable, unfair, and wasteful commissions, profits, and practices; and

Whereas the United States food administration has urgently requested all producers of beet sugar in the United States to enter into a contract with him,

and for producers who enter into such a contract has determined a maximum price of $7.25 per hundred pounds, cane basis, seaboard refining points, for the time being; and

Whereas the said food administrator would not under the terms of the food-control act and under a system of individual licenses authorized by said act, or the showing now made, determine a higher price than $7.25 per 100 pounds, cane basis, seaboard refining points; and

Whereas the President of the United States, acting by and through the food administrator, has appointed a committee of the United States food administration, to be called the food administration sugar distributing committee, to carry out, subject to his approval, the provisions of said act so far as they relate to the distribution of beet sugar, which committee is composed of the following persons, to wit: H. A. Douglas, E. C. Howe, W. H. Hannam, S. H. Love, W. L. Petrikin, S. W. Sinsheimer, and W. P. Turner;

Whereas the undersigned ——— is a producer of beet sugar and is desirous of aiding and promoting the efficient administration of said act and of securing the purposes to be accomplished thereby by agreement, as authorized by section 2 of the aforesaid act of Congress:

Now, therefore, in consideration of the premises and the agreements of the United States food administrator hereafter set forth, the producer hereby agrees:

1. That in selling and distributing beet sugar it shall observe and respect and be governed by any and all orders and regulations which said United States food administrator, through the sugar distributing committee, may from time to time make or prescribe, or any general orders made by him, which are applicable to all licensees under the provisions of said act.

2. That it will ship sugar only at such times, to such places, and in such quantities as may be directed by the United States food administrator through the sugar distributing committee, that it will route all sugars as directed by the sugar distributing committee, that it will promptly comply with any and all such directions, and with all orders for change of destination and route, and for reconsignment, and that it will ship all sugar sight draft attached to bill of lading unless otherwise permitted by the sugar distributing committee, at the request of the producer; in case of such request being made and such permission being given, should any loss occur, the loss shall be borne by the producer making such request.

3. That unless a special allowance is made by the sugar distributing committee by reason of deterioration or otherwise, it will sell all sugar at the market price ruling on the day of sale, cane basis, less any differential which may be established by the sugar distributing committee and be then in force, between cane sugar and beet sugar; in no case, however, to exceed the maximum price of $7.25 per 100 pounds, cane basis, at seaboard refining points, less said differential if any, unless increased by the food administrator to meet price fixed for refined cane sugar manufactured from foreign raw sugar; the sugar distributing committee shall have power to fix a differential between cane sugar and beet sugar in its discretion, but no such differential need be established until cane sugar becomes a close competitor of beet sugar, and such differential shall in no event exceed 20 cents per 100 pounds.

Provided, That should any excise tax on sugar be levied by the United States Government, the maximum price of $7.25 per 100 pounds shall be increased by the amount of said excise tax; that the sugar distributing committee shall determine a schedule of freight differentials at different places, based on freight rates from seaboard refining points; and a regular schedule of package differentials for package goods, and such differentials shall be observed by the producer in complying with the terms of this paragraph; that the sugar distributing committee shall issue and send to the producer uniform price lists showing the seaboard base price, the differentials, and the terms upon which sugar may be sold; that it will issue a new price list whenever any change occurs in the seaboard base price or in the differential or terms, and that no sale of sugar shall be made by the producer except at the price, differentials, and terms shown herein, until the sugar distributing committee shall have issued a new price list showing any such change and mailed a copy of same to the United States food administrator; but this clause shall not be construed to authorize the sugar distributing committee to name any higher price than that hereinbefore prescribed.

4. That it will promptly make complete and true reports to the sugar distributing committee of all sales of sugar made by it at such intervals and in such forms as may be required by said committee.

5. In consideration of the foregoing agreements, the United States food administration agrees that he will cause the sugar distributing committee to direct distribution of the beet-sugar crop herein referred to in the most economical and efficient method consistent with an equitable distribution; that at such intervals as the sugar distributing committee may determine he will cause to be calculated by said committee the average net proceeds per pound of sugar received during the definite period by all the beet-sugar producers who shall have entered into a similar agreement with him, less the expense per pound of the sugar distributing committee incurred in the distribution of the beet-sugar crop as herein provided, and in case the average net proceeds per pound for sugar, actually received by the producer, are less than the general average net proceeds per pound, less such expense, as calculated by the sugar distributing committee, the United States food administration promises to pay to the producer the difference per pound herein, multiplied by the number of pounds sold by the producer during such period and the final calculation, settlement, and distribution in accordance with the provisions of this paragraph shall be made as soon as feasible, but not later than July 31, 1918.

The producer agrees that if the net proceeds per pound of all sugar received by it is greater than the general average net proceeds per pound less such expense, as calculated by the sugar distributing committee, he will pay to the United States food administration, or such person as it may direct, the difference per pound therein, multiplied by the number of pounds sold by the producer during such period. In cases where the committee has permitted the sale of sugar at less than market prices, unless such decrease in value is caused by some action of the committee, the difference between the price actually received, and the market price, shall be added to the actual net proceeds of said sugar, before averaging the net proceeds of the particular producer or of all producers; and the producer thereof shall stand such loss.

6. Nothing in this agreement shall be construed to limit the power of the President or of the United States food administrator to promulgate regulations for the conduct of the business of licensees under section 5 of the act of August 10, 1917, known as the food-control act.

7. Sugar shall be delivered to the United States Government for Army and Navy uses when, and in such amount as the Government may require at prices to be fixed by the United States food administrator, and the net proceeds of such sugar shall be included in calculating the general average net proceeds per pound of all sugar sold by producers entering into this agreement.

8. It is understood and agreed by the producer that a violation of any of the terms of this agreement may result in and be cause for revocation of its license.

9. This agreement shall remain in full force and effect from October 1, 1917, until the entire crop of 1917–18 shall have been disposed of or marketed.

In witness whereof the parties hereto have subscribed this agreement on the day and year first above written.

———— ————,

United States Food Administrator.

By ———— ————.

The CHAIRMAN. You stated a little bit ago that the prices named in this contract were the prices that were fixed by the producers, by the sugar men.

Mr. ROLPH. Yes, sir.

The CHAIRMAN. And that the food regulator had the option to accept this contract or to have no contract?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. In other words, the sugar men regulated the sugar regulator, instead of the sugar regulator regulating the sugar men?

Mr. ROLPH. No; because it was considered as a very desirable thing, in view of the approaching shortage of sugar, to do that, and it accomplished the object.

The CHAIRMAN. Then Mr. Hoover was perfectly willing to make this contract—or you, acting for Mr. Hoover? It was not forced on you? The sugar men did not control you?

Mr. ROLPH. No.

The CHAIRMAN. Did you control the sugar men?

Mr. ROLPH. We accepted that contract; thought that it was fair and just.

Senator LODGE. Did the price of Cuban sugar have anything to do with it?

Mr. ROLPH. No; it did not. I tried to get the beet people to accept a contract at 7 cents, which they declined.

Senator LODGE. It had no relation to Cuban sugar at 4.50?

Mr. ROLPH. No; but I had that in mind.

Senator LODGE. It is about equivalent to that?

Mr. ROLPH. I had that in mind at the time.

The CHAIRMAN. That is, you fixed this beet-sugar price so that it would fit onto the price you intended to make for Cuban sugar?

Mr. ROLPH. No; I did not.

The CHAIRMAN. You had it in mind. What do you mean by that?

Mr. ROLPH. I had the Cuban situation in mind all the time. I tried to get this contract down as low as I possibly could. The first suggestion I made on this contract was 6.75, then to 7 cents, and finally at 7.25.

The CHAIRMAN. Did you have in mind at the time that you were going to fix the Cuban crop at 4.50?

Mr. ROLPH. I had it very strongly in mind; yes.

The CHAIRMAN. So that, as a matter of fact, when you fixed the beet-sugar crop, you fixed it at a price where you intended to fix it so that it would correspond to the price of cane, so that the two would be equivalent?

Mr. ROLPH. Not at all.

The CHAIRMAN. I do not understand you.

Mr. ROLPH. I tried to get the lowest price I could get on this.

The CHAIRMAN. And you at the same time intended to have it fit a price that you had in mind for cane sugar at 4.50, which, with the charges and costs that were necessary to be added, would bring it up to 7.25 plus a 25-cent premium which it ordinarily brings. You had that all in mind?

Mr. ROLPH. I naturally had a lot of figures on Cuba and had a lot of conferences with Cuban people.

The CHAIRMAN. The question is, did you have that in mind? It is not a question of whether you had conferences or figures.

Mr. ROLPH. I naturally had it in mind, but it did not affect this contract in any way, so that the form omitted the 25 cents.

The CHAIRMAN. A premium of 25 cents difference?

Mr. ROLPH. What difference do you mean of 25 cents?

The CHAIRMAN. I understand the cane sugars are always expected to bring 25 cents above beet sugars.

Mr. ROLPH. I never heard of that before.

The CHAIRMAN. You never heard of it? It has been elaborately testified to here, if I have understood the testimony. Mr. Babst said so.

Mr. ROLPH. My understanding of the beet-sugar situation is that the differential in the West is 20 cents, and the highest differential that has ever existed here in the East has been 10 cents.

The CHAIRMAN. Is there a differential allowed on your sugar of 25 cents?

Mr. ROLPH. What sugar do you refer to?

The CHAIRMAN. I am speaking now of your own sugar.

Mr. ROLPH. The raw sugar that we buy?

The CHAIRMAN. Yes.

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Why is that?

Mr. ROLPH. That is bought at 25 cents under the list price in New York, which is 15 cents under the price at which Hawaiian sugars are sold here. The reasons for that allowance are many. I will give you three. The principal reason is on account of the absorption of freight in the shipment from San Francisco to Chicago, which is 25 cents, and absorbs it all, and as over 60 per cent of the sugar is sent there, there is 60 per cent gone. I just want you to get that point. The other is on account of taking it in a period of about eight months; we hate to carry it and pay the storage, insurance, and chances of market declines.

The CHAIRMAN. So you do not agree with these gentlemen about it; that is all. But, as a matter of fact, is not 7.25 for beet sugar substantially the equivalent of 4.50 for Cuban cane sugar f. o. b. Cuba?

Mr. ROLPH. Yes; I think it is. It depends upon the freight rate entirely.

The CHAIRMAN. I am speaking about a substantial equivalent. There was always a differential on the freights, particularly where there are tramp steamers.

Mr. ROLPH. That is the equivalent of 7.35.

The CHAIRMAN. 7.35?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. That depends on the freight?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. As a general proposition, the prices are the same?

Mr. ROLPH. Practically.

Mr. MCCARTHY. Senator Reed, I would like to say to Mr. Rolph that when he mentioned 6.23 he did not state whether he meant that as raw or refined sugar, and on the record it stands that he said that as refined. I would like to see that that is stated properly.

Mr. ROLPH. 6.23 was the raw sugar price. I said 7.72 was the lowest cane sugar price.

The CHAIRMAN. At what time?

Mr. ROLPH. The average for the year.

(Thereupon, at 5.40 o'clock p. m. the subcommittee adjourned to meet at 10.30 o'clock a. m. to-morrow, Friday, December 21, 1917.)

SHORTAGE OF SUGAR.

FRIDAY, DECEMBER 21, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., Senator James A. Reed presiding.

Present, Senators Reed (chairman), Vardaman, Jones, Lodge, and Kenyon.

The CHAIRMAN. Before resuming the testimony of Mr. Rolph I would like to break in with the testimony of Mr. Summerville for a few moments.

Mr. ROLPH. Mr. Chairman, I want to say in connection with myself, that the object of this investigation, as I take it, is a relief of this famine situation in New York, or in the Atlantic coast section, and the work that the international committee is doing in endeavoring to solve this problem is being held up by this meeting. It has been stopped now for over a week.

The CHAIRMAN. I thought that ultimately Congress would be to blame for this sugar shortage.

Senator KENYON. Why would that work have to be stopped? Do you mean because you have been required to be here?

Mr. ROLPH. Yes.

The CHAIRMAN. There has not been a single man from the Food Administration who has been required to be here.

Senator KENYON. Have you a lot of your employees here?

Mr. ROLPH. No; but Mr. Babst, Mr. Jamison, and myself are here, and the foreign members of the international committee in New York are waiting impatiently for us to return.

Senator VARDAMAN. You understand that we must necessarily carry out the wishes and instructions of the Senate?

Mr. ROLPH. I appreciate that.

Senator VARDAMAN. And we are getting through with the matter as quickly as we can.

Mr. ROLPH. I appreciate that.

The CHAIRMAN. And understand another thing also, that this committee put on the witness stand Mr. Spreckels and did not summon or require the attendance of anyone from the Food Administration. The Food Administration people came here voluntarily and have been here voluntarily, and the time that you could say that anyone of them has not been here voluntarily is when that particular one was upon the witness stand. Others have come undoubtedly because they thought

they were interested, but the committee has not compelled their attendance.

Senator JONES. I would like to ask the chairman if he thinks it is unnecessary for members of the Food Administration to stay here?

The CHAIRMAN. I think this committee is perfectly capable of going on and examining witnesses, and when it comes to the members of the Food Administration, to call them and get their views. I am not criticizing them for coming here, but I certainly insist they have no right to criticize the committee because they did come.

Mr. ROLPH. I did not criticize the committee at all. I simply state a fact, that this matter is held up, and I have felt it was my duty to be here, and I am very glad that I have been here.

The CHAIRMAN. All the rest of your force that you have here now are at perfect liberty to return to their duties except yourself, and we will get through with you very soon. We will now take the testimony of Mr. Summerville.

TESTIMONY OF JAMES A. SUMMERVILLE.

(The witness was sworn by the chairman.)

The CHAIRMAN. Where do you reside?

Mr. SUMMERVILLE. St. Louis, Mo.

The CHAIRMAN. What is your business?

Mr. SUMMERVILLE. General superintendent of transportation of the Missouri Pacific, assigned as one of the commissioners on the commission of car service in Washington.

The CHAIRMAN. Who created this commission on car service?

Mr. SUMMERVILLE. The commission was created by the executive committee of the war board of the American Railway Association.

The CHAIRMAN. And you are connected with that car service. What is the business of that car service committee? Briefly, what do you do?

Mr. SUMMERVILLE. Look after the handling and relocating and distributing of freight car equipments.

The CHAIRMAN. So as to move merchandise, etc., as promptly as possible?

Mr. SUMMERVILLE. Yes.

The CHAIRMAN. I will ask you to state whether along early in the month of November you were called on by any member of the Food Administration with reference to the movement of Colorado sugars?

Mr. SUMMERVILLE. I was.

The CHAIRMAN. About what time in the month of November was that?

Mr. SUMMERVILLE. My recollection is, it was along in the early part of November.

The CHAIRMAN. Who was the man who called upon you?

Mr. SUMMERVILLE. Mr. Brooks.

The CHAIRMAN. What is his connection with the Food Administration?

Mr. SUMMERVILLE. He is connected with the office of Mr. Chambers, looking after transportation.

The CHAIRMAN. What was his request of you at that time?

Mr. SUMMERVILLE. He asked for information as to car supply in Colorado in connection with the movement of sugar.

The CHAIRMAN. What did he say to you?

Mr. SUMMERVILLE. He said they wanted to know if it was possible to get more cars into Colorado for loading sugar.

The CHAIRMAN. What was your reply to him?

Mr. SUMMERVILLE. My reply was, in substance, that the Colorado sugar requirements were being reasonably met, and it would not be possible to get more cars in there on short notice.

The CHAIRMAN. What, if anything, did he say to you about the desirability of getting sugars here quickly, or of any emergency in the sugar business?

Mr. SUMMERVILLE. He mentioned something in connection with wanting to move more sugar into the New York territory.

The CHAIRMAN. Did he say anything about there being an emergency—a necessity for quick movement?

Mr. SUMMERVILLE. My impression is they wanted to move it at that time.

The CHAIRMAN. When he spoke to you about the Colorado cars what did you say to him about getting cars for some other place?

Mr. SUMMERVILLE. I suggested, if there was an emergency, the advisability of moving some of the Michigan sugar.

The CHAIRMAN. Did you tell him why? Tell what you said there.

Mr. SUMMERVILLE. I am trying to do that, Senator.

The CHAIRMAN. Just tell us what took place as near as you can.

Mr. SUMMERVILLE. I suggested the advisability of moving sugar from Michigan in an emergency, as it could be moved in less time than Colorado sugar could be moved.

The CHAIRMAN. How much less time did you tell him it could be moved in?

Mr. SUMMERVILLE. From five to eight days.

The CHAIRMAN. What did he say to that?

Mr. SUMMERVILLE. He said he would consider that; that he had no knowledge as to the details of the movement; and that that suggestion would be given to the office that made the inquiry.

The CHAIRMAN. Did you suggest to him at the time that there were sugars in Michigan?

Mr. SUMMERVILLE. I advised him concerning a report that we had from one of our inspectors indicating a million and a quarter pounds at some one sugar plant.

The CHAIRMAN. One sugar plant? Did you, after this gentleman left you, after you made these suggestions and he went away, hear anything more about a request from him for cars for sugar in Michigan?

Mr. SUMMERVILLE. The conversation was on the phone, and I do not recall that there was any further reference to the subject after that time.

The CHAIRMAN. That is all.

Senator JONES. Did you have anything to do with the car situation in Michigan?

Mr. SUMMERVILLE. We have to do with it all over the country.

Senator JONES. I mean you individually.

Mr. SUMMERVILLE. Yes.

Senator JONES. That was a part of your job, to look after the cars in Michigan also?

Mr. SUMMERVILLE. A part of my work is specializing on the box-car situation.

Senator JONES. Were there plenty of cars in Michigan?

Mr. SUMMERVILLE. Not plenty, but there was a fair supply—not enough to load everything that was required each day, but our reports indicated a continued loading of sugar to a maximum carrying capacity.

Mr. ROLPH. Will you ask the witness if he does not know there are lots of cars of beet sugar held up now that can not get through?

Senator JONES. I will ask that question of the witness.

Mr. SUMMERVILLE. I can not answer that; I do not know.

Senator JONES. Do you know whether any attempt was made to ship the Michigan sugar?

Mr. SUMMERVILLE. I know the Michigan sugar was moving, but to what destination I do not know.

Senator JONES. Do you know whether there was opportunity to unload that Michigan sugar and ship it through within a reasonable time?

Mr. SUMMERVILLE. I know that the Michigan sugar was loading every day, as it appeared to us, with reasonable promptness.

Senator JONES. Then all that you suggested to Mr. Brooks was that they continue what they were doing with regard to the Michigan sugar, was it not?

Mr. SUMMERVILLE. All I suggested was that in an emergency it seemed to us more advisable to move the sugar from Michigan——

Senator JONES. And they were doing that?

Mr. SUMMERVILLE. Than to take it from Colorado.

Senator JONES. They were doing that?

Mr. SUMMERVILLE. I did not know whether they were or were not. I merely offered that as a suggestion to him, that we could specialize, and it would be less trouble and it would take less time to move it.

The CHAIRMAN. Just what do you mean by that word "specialize"?

Mr. SUMMERVILLE. We would look after it through our commission.

The CHAIRMAN. And get more cars in there?

Mr. SUMMERVILLE. Either more cars or arrange for the movement, or, as we have in many instances in a large number of commodities, do whatever was necessary to relieve some immediate pressure.

The CHAIRMAN. Then you merely suggested the Michigan sugar crop as a question that you thought they ought to consider?

Mr. SUMMERVILLE. I merely mentioned that one instance—not the crop as a whole. I generally understood that the movement of the crop was all blocked out and planned and arranged.

The CHAIRMAN. That is all.

Mr. ROLPH. Ask the witness if he does not know that the Michigan companies have not got cars for their coke and coal and beets and limerock.

Senator JONES. I will ask if you know that situation.

Mr. SUMMERVILLE. I do know that the sugar beets of Michigan have moved as well or better this year than heretofore. I know that the limerock has moved promptly, and a reasonable supply. I do

not know as regards the coke. I have one complaint this morning of one sugar plant wanting 10 cars for sugar beets. That is the only one that we have had for a considerable period, and it is our understanding that with the exception of one line the sugar-beet movements have been very reasonable. There has been some complaint, and a strong effort has been made to correct that, and our information is it was corrected some time ago and is now moving well.

Senator JONES. I will ask you if you know of any supply of sugar in Michigan which has facilities for its prompt and reasonable transportation to the Atlantic seaboard which is not being utilized for that purpose?

Mr. SUMMERVILLE. I will say that for the present there is probably considerable restriction upon the movement of sugar, as well as other commodities, out of the Michigan territory, owing to whether conditions are congested conditions. All of it is not moving promptly to the seaboard.

Senator JONES. Then I will ask you a little broader question: Do you know of anything which the Food Administration might have done which would have resulted in getting more sugar over to the Atlantic seaboard, and more quickly?

The CHAIRMAN. Specify the time, Senator.

Senator JONES. Since November 1. He is talking about November 1.

Mr. SUMMERVILLE. I do not know of any.

Mr. ROLPH. Will you ask the witness if it is not a fact that the railroads put an embargo on sugar, and it took all of the power and influence of the Food Administration, transportation department, Mr. Chambers, to have that embargo raised to get some cars loaded and out, and that cars actually loaded for the East had to be disbursed to other places?

Senator JONES. I will ask that question of the witness.

Mr. SUMMERVILLE. I do not know. That would be possible.

The CHAIRMAN. When you told this gentleman who came to you that by—did you use the term "specialize?"

Mr. SUMMERVILLE. Yes.

The CHAIRMAN. That by specializing you could get cars in Michigan to get this sugar out, was that the fact? Could you have done it?

Mr. SUMMERVILLE. Yes.

The CHAIRMAN. If the Food Administration had come to you along in the month of October, the latter part of October and the early part of November, and asked you to specialize in the matter of getting cars into Michigan to move the sugar crop, could you have gotten more cars in there?

Mr. SUMMERVILLE. No. We would not have sent any more in than were there then.

The CHAIRMAN. What was the point of you telling this man that by specializing on Michigan sugar you could render aid?

Mr. SUMMERVILLE. That was for one particular consignment of emergency movement.

The CHAIRMAN. That is what I am asking you. If they had come to you and asked you to make an emergency matter out of the sugar in Michigan, could you have moved the cars more rapidly or have furnished more cars, which would be the same thing?

Mr. SUMMERVILLE. We would not have undertaken to move any more cars in for the whole crop. We were moving some cars into Michigan, and we had advice from the Food Administration to look after the movement of sugar, and it was generally understood by the carriers that they were to look after it and endeavor to give all of the assistance possible in the movement of sugar. The sugar interests came to the Commission on Car Service for necessary arrangements, anticipating a great deal of trouble in handling their beet sugar in Michigan, and the railroads came in for assistance in connection with the beet sugar of Colorado, and the cane sugar interests came in in connection with the movement of Louisiana cane. They were all given instruction and arrangements made for a car supply to take the raw material into the plants. Now, we did not feel that we could go so far as to give a priority, a preference order, in connection with the movement of sugar to the manufacturer, but it was generally understood by the railroads and all concerned that the sugar would be given attention.

The CHAIRMAN. Very well. You did not think that priority could be given to the shipment of sugars, but if the Food Administration had come to you and explained to you that there was a sugar famine in the East, could you have gotten the cars to move that sugar out of Michigan?

Mr. SUMMERVILLE. We could have in individual cases; yes.

The CHAIRMAN. I am not talking about individual cases, nor particular cases, nor about a particular car, but could you have moved a substantial quantity of that sugar from Michigan to the New England States or to New York?

Mr. SUMMERVILLE. I assume we could; yes.

The CHAIRMAN. And that was what you meant when you told the representative of the Food Administration who wanted cars to ship sugar from Colorado, "Why do you not bring the sugar from Michigan, where the haul is shorter; there is up there over a million pounds in one factory?"

Mr. SUMMERVILLE. I meant simply that individual case, Senator.

The CHAIRMAN. If you could do it in that individual case and there was starvation on for sugar, you could have done some more of it, could you not?

Mr. SUMMERVILLE. Possibly; yes.

The CHAIRMAN. As a matter of fact, in the month of October, the latter part, beginning, we will say, about the 10th or the 15th day of October, and running on through the month of October, the railroads were pretty generally hauling almost every kind of freight that was given to them, were they not?

Mr. SUMMERVILLE. The conditions were fairly reasonable.

The CHAIRMAN. I am not talking about emergency freights, but if a man wanted to ship his household goods or his automobile, or if a man wanted to ship some farm implements, or general freight, which is ordinarily sent to railroads, they were acceping that freight and moving that freight to a large extent clear up to the 1st day of November?

Mr. SUMMERVILLE. They were, but still there were many shipments of goods that could not be made, and some territories where freight could not go.

The CHAIRMAN. You have since that time cut out or restricted the shipment of a great deal of the character of goods that I have just mentioned, have you not?

Mr. SUMMERVILLE. There was material restriction, or instructions providing for restrictions, on December 12.

The CHAIRMAN. What was that restriction on December 12 put on?

Mr. SUMMERVILLE. It was a priority order of Judge Lovett, which gives preference to certain commodities.

The CHAIRMAN. What commodities?

Mr. SUMMERVILLE. It does not restrict the movement except as the car supply would be utilized for preferential shipments.

The CHAIRMAN. That is the same thing as a restriction. It means postponement in that case, not absolute refusal. What was that priority order?

Mr. SUMMERVILLE. That gives preference to five different classes, which includes food and feeds, railroad fuel, and material for by-product plants and Government requirements.

The CHAIRMAN. State whether it had the effect, or will have the effect of moving these different articles that have preference more rapidly than they would otherwise have been moved.

Mr. SUMMERVILLE. It will have the effect, for instance, in Michigan, in giving preference and priority in car supply to food products.

The CHAIRMAN. I understand, but will it actually move these preferential articles more promptly than if the order had not been made?

Mr. SUMMERVILLE. Yes; in our opinion it will.

The CHAIRMAN. Will it be a material benefit in that respect?

Mr. SUMMERVILLE. We believe so; yes.

The CHAIRMAN. Did the railroad companies stand ready to make such an order as that? That is, does the railroad management stand ready to make such an order as that at any time if they are requested to, or have they been reluctant and have they refused to make such an order?

Mr. SUMMERVILLE. The railroads have not the authority to issue such an order. That would be contrary to the rulings of the Interstate Commerce Commission?

The CHAIRMAN. Who does that?

Mr. SUMMERVILLE. That was issued by Judge Lovett.

The CHAIRMAN. Of what?

Mr. SUMMERVILLE. The Priority Board, representing the President.

The CHAIRMAN. Judge Lovett is the representative of the Food Administration?

Mr. SUMMERVILLE. No; he is the representative of President Wilson. He is the chairman of the Priority Board.

The CHAIRMAN. The priority board?

Mr. SUMMERVILLE. Yes.

The CHAIRMAN. Was any request made to you until about December 12, to the railroads, for the giving of these priorities upon foodstuffs?

Mr. SUMMERVILLE. Yes, sir; we have had a great many requests.

The CHAIRMAN. I mean, now, by authority? I do not mean by anything else.

Mr. SUMMERVILLE. Well, yes.

The CHAIRMAN. As the administration, now.

Mr. SUMMERVILLE. Yes, sir; the Food Administration have made some requests, and there have been a great many, Senator.

The CHAIRMAN. They have asked for a general order of that kind?

Mr. SUMMERVILLE. No; because they recognized the railroads could not make out such a general order.

The CHAIRMAN. Well, you are giving the reason why they did not do it. I am just asking you whether or not they did do it.

Mr. SUMMERVILLE. I do not believe I would be competent to answer that.

The CHAIRMAN. You are not?

Mr. SUMMERVILLE. To my knowledge, I do know that they have worked with the railroads, it seemed to us, with an effort to move those things that had to be moved and to relieve this situation that it seemed necessary to relieve, and we have had to do some things that we would not dare to do under normal conditions.

The CHAIRMAN. I understand the railroads have done many things that under normal conditions might have been in violation of the interstate-commerce law, and we are none of us making a complaint about that at all. We expect them to be done. Do you know, now, of any request that has been made—I will put it this way: Did anyone representing the Food Administration ever come to you and in substance or effect say to you, "There is a sugar famine going to be in the East; there are a lot of sugars out here in California that we want to go to the East"?

Mr. SUMMERVILLE. Yes, sir.

The CHAIRMAN. When was that said?

Mr. SUMMERVILLE. I do not recall the date. I think it was either in September, or possibly in early October.

The CHAIRMAN. Why did you not get the cars for that?

Mr. SUMMERVILLE. We arranged for that movement.

The CHAIRMAN. You did give them the cars they requested?

Mr. SUMMERVILLE. Yes, sir.

The CHAIRMAN. Were the sugars moved promptly?

Mr. SUMMERVILLE. We think so; yes, sir.

Mr. ROLPH. Senator, will you ask him why it is, then, that sugars have been held up since September 8, between Michigan and here?

The CHAIRMAN. Is there sugar, you mean, between Washington and New York?

Mr. ROLPH. Between Michigan and New York.

The CHAIRMAN. Between Michigan and New York, held up since September 8?

Mr. SUMMERVILLE. Not to my knowledge. I would not have that detail.

The CHAIRMAN. You would know if there was any general embargo declared, or an embargo in fact, would you not?

Mr. SUMMERVILLE. Not necessarily. There are a great many embargoes issued and it is impossible for us to know of them all. One of our representatives looks after that.

The CHAIRMAN. If there was a general embargo holding up, an embargo either by order or in fact—the sugar tied up—you would know that, would you not?

Mr. SUMMERVILLE. In a general way.

The CHAIRMAN. In a general way you know nothing about this holding up of sugar?

Mr. SUMMERVILLE. I do not.

The CHAIRMAN. Yet there might be some sugar held up and you not know it?

Mr. SUMMERVILLE. I would not be surprised if there was considerable sugar that could move that has not moved.

The CHAIRMAN. All right.

Senator LODGE. How large a proportion of the freight is now moving on priority orders?

Mr. SUMMERVILLE. I could not answer that.

The CHAIRMAN. That is all.

TESTIMONY OF GEORGE M. ROLPH—Resumed.

Mr. ROLPH. Mr. Chairman, you asked for the contracts of the Sugar Factors Co. (Ltd.). I hand you herewith the contracts of that company with the Pennsylvania Sugar Co. and B. H. Howell, Son & Co.

Senator LODGE. Those are Hawaiian sugars?

Mr. ROLPH. These are Hawaiian sugars. I just want to say that so far as the Sugar Factors Co. are concerned, and the Hawaiian-California Sugar Refining Co. is concerned, or any sugar factory, that I do not now own or have not owned for many years past a single dollar's interest in any of them. I have been connected with the Hawaiian-California Sugar Refining Co. only in an official capacity and interested only in the way of drawing a salary.

The CHAIRMAN. You are still drawing that salary?

Mr. ROLPH. No, sir; I am not.

The CHAIRMAN. When did you quit drawing it?

Mr. ROLPH. The 9th of November.

The CHAIRMAN. You have ceased your connection entirely with this company?

Mr. ROLPH. No; I have asked them to consider my position open, to take it up when I go back.

The CHAIRMAN. Are you drawing a salary now?

Mr. ROLPH. No, sir.

The CHAIRMAN. Are you drawing any expense account?

Mr. ROLPH. No, sir; not at all.

The CHAIRMAN. You are giving your time entirely and your salary?

Mr. ROLPH. Yes.

The CHAIRMAN. And you have laid down your salary?

Mr. ROLPH. Yes.

The CHAIRMAN. And you are getting nothing whatsoever, and you are living out of your own means?

Mr. ROLPH. Correct. The other question was as to the prices of beets.

The CHAIRMAN. Let me ask further: Do you have any sugar lands or any sugar holdings of any kind?

Mr. ROLPH. Not in any way whatsoever. I do not own a dollar's interest in sugar, in either stocks, bonds, or anything else.

The CHAIRMAN. How long has that been the case?

Mr. ROLPH. At least 10 years.

Senator KENYON. I do not ask you the size of your salary, but did you give up a very large salary to come here?

Mr. ROLPH. Yes; I did.

Senator KENYON. Do you have any allowance or expense account?

Mr. ROLPH. From the Government?

Senator KENYON. Yes.

Mr. ROLPH. No, sir.

Senator KENYON. Or from your company?

Mr. ROLPH. No, sir.

Senator KENYON. You pay your own expenses?

Mr. ROLPH. I do. The company was very anxious not only to pay my salary but to pay my expenses.

Senator KENYON. You live at the Willard Hotel?

Mr. ROLPH. No, sir; I do not. I can not afford it.

The CHAIRMAN. These contracts may be read later. In order to get along we will let them be marked as Rolph exhibits, whatever their numbers will be.

The contracts referred to were marked, respectively, "Exhibit No. 66 (Rolph 3)" and "Exhibit No. 67 (Rolph 4)," and are here printed in the record in full, as follows:

EXHIBIT No. 66.

[Rolph No. 3.]

This agreement made this 9th day of November, 1915, by and between the Sugar Factors Co. (Ltd.), a corporation organized and existing under the laws of the Territory of Hawaii, party of the first part, hereinafter called the "seller," and the Pennsylvania Sugar Co., a corporation organized and existing under the laws of the State of Pennsylvania, party of the second part, hereinafter called the "buyer."

Witnesseth, that the parties hereto, in consideration of the mutual covenants and agreements hereinafter mentioned, do hereby covenant and agree as follows, to wit:

1. *Agreement for sale of sugar.*—The seller bargains and sells and agrees to deliver to the buyer, and the buyer agrees to purchase and receive at the ports of Philadelphia and New York, or either of them, at the option of the buyer, for the prices and upon the conditions hereinafter named 50 per cent of the sugar available for shipment to the Atlantic coast of the United States of America during the crop year from October 1, 1915, to September 30, 1916, and the crop year from October 1, 1916, to September 30, 1917, that is to say, 50 per cent of all sugar produced during said periods on the plantations in the Hawaiian Islands for which the seller acts as agent or may hereafter during the term of this agreement act as agent, excepting such sugar as is sold for local consumption or manufacture within the Hawaiian Islands and excepting such sugar as may be shipped to refineries on the Pacific coast.

2. *Plantations.*—The said plantations for which the seller now acts as agent are as follows, to wit:

Hawaiian Commercial & Sugar Co.
Hawaiian Sugar Co.
Kahuku Plantation Co.
Koolua Agricultural Co. (Ltd.).
Maui Agricultural Co.
McBryde Sugar Co. (Ltd.).
Apokaa Sugar Co. (Ltd.).
Ewa Plantation Co.
Kohala Sugar Co.
Waialua Agricultural Co. (Ltd.).
Hawaiian Agricultural Co.
Honomu Sugar Co.
Onomea Sugar Co.
Pepeekeo Sugar Co.
Wailuku Sugar Co.
Honokaa Sugar Co.
Pacific Sugar Mill.
Makee Sugar Co.
Hawi Mill & Plantation Co. (Ltd.).
G. N. Wilcox (Grove Farm Plantation).
Hawaii Mill Co. (Ltd.).

Kekaha Sugar Co. (Ltd.).	Hamakua Mill Co.
Kipahulu Sugar Co.	Kaiwiki Sugar Co. (Ltd.).
The Koloa Sugar Co.	Kukaiau Plantation Co. (Ltd.).
Lihue Plantation Co. (Ltd.).	Laupahoehoe Sugar Co.
Pioneer Mill Co. (Ltd.).	Union Mill Co.
Oahu Sugar Co. (Ltd.).	Waiakea Mill Co.
The Waimea Sugar Mill Co.	Olaa Sugar Co. (Ltd.).

3. *Maximum and minimum.*—It is understood and agreed that the maximum quantity which the buyer is obligated to purchase and receive from the crop of each of said crop years shall be 150,000 short tons, and that the minimum quantity which shall be sold and delivered by the seller from the crop of each of said crop years shall be 120,000 short tons, unforeseen causes beyond the control of the seller excepted. If on account of any such cause it becomes impossible to deliver said minimum quantity of sugar, the seller shall as soon as this condition becomes known notify the buyer thereof and shall thenceforth prorate any deficiency between its obligations under this agreement and its other agreements for the sale of sugar.

4. *Shipments.*—The seller agrees to ship the sugar covered by this agreement from ports of the Hawaiian Islands at as nearly equal intervals as the production of sugar and the transportation facilities permit from December 1, 1915, to September 30, 1916, and from December 1, 1916, to September 30, 1917. The date of any shipment shall be determined by the date of the bill of lading. The seller agrees to furnish, prior to January 1 of each year, a schedule of proposed shipments.

5. *Routes.*—The seller agrees to ship the sugar covered by this agreement by steamers via the Panama Canal when open to commerce. At any time or times said canal is not open to commerce the seller shall have the option of shipping via Cape Horn or via Straits of Magellan or via the Isthmus of Tehauntepec or via Pacific Ocean ports, thence by rail or by rail and steamer direct.

6. *Call for orders.*—The seller agrees that said steamers shall be ordered to call at Delaware Breakwater, there to await orders of the buyer to discharge either at Philadelphia or at New York. The buyer agrees to give such orders within 26 hours after arrival at Delaware Breakwater, Sundays and legal holidays excepted, or to pay any demurrage for which the seller may be liable to the steamship company.

7. *Delivery.*—All sugars shall be delivered in accordance with the custom of the port of Philadelphia, or of the port of New York, in good order and sound conditions, except as hereinafter provided, on such safe wharf, dock, or pier where vessels can at all times lie safely afloat, as shall be designated by the buyer. The buyer shall have the privilege of ordering the vessel or shipment to be discharged at more than one wharf, dock, or pier, but the extra expense in that event shall be paid by the buyer.

The buyer agrees to receive cargo at the port of discharge from the steamship's tackles at the average rate of 1,250 tons per weather working day, Sundays, legal holidays, and causes beyond the control of the buyer excepted.

The buyer agrees that in case of steamers of a size or draft too great to lie at the designated dock it will provide at its expense covered lighters acceptable to the steamship company in sufficient number to take care of the discharge of cargo as above provided.

In the event of the delay of any steamship through failure of the buyer to take delivery at the rate herein specified, the buyer agrees to pay any demurrage for which the seller may be liable to the steamship company.

8. *Price and basis.*—The buyer agrees to pay to the seller for each and every pound of sugar delivered the same price at which centrifugal sugars were sold on a basis of 96° polarization in the New York and Philadelphia markets for delivery at the port of New York or the port of Philadelphia, including duty, if any, on the average of 10 sugar market days previous to the date of arrival of such sugar at Delaware Breakwater.

The selling price of centrifugal sugar in the New York and Philadelphia markets shall be ascertained by the reports of Nevers & Callaghan, sugar brokers in New York City, if satisfactory, and, in case of dissatisfaction, by the reports of any other reputable sugar broker in said city who may hereafter be agreed upon by the parties hereto. Said selling price shall be deemed to be the price at which bona fide sales, whether private or public, of spot sugar or sugars reasonably due in 28 days, including duty, if any, are actually made

in the regular course of trade, for a minimum quantity of 200 tons, but shall not include sales of Egyption crystals, nor sales to tobacconists, nor of grocery sugar for direct consumption, nor sales of sugars for export to Canada, nor sales of Hawaiian sugars in the open markets of New York or Philadelphia, nor sales to speculators, nor sales of options on the New York Coffee Exchange.

In case there are sales of different lots above the minimum quantity of 200 tons at different prices on the same day, then the average of the bona fide prices paid on such day regardless of quantity of such lots shall govern. In case there are no such sales on any one or more of the 10 days specified, the last previous day's quotation shall be considered the quotation of such day or days of no sales.

In case the latest reported price for said centrifugal sugar shall be for sugar afloat or for prompt shipment, but reasonably due within 28 days, being either the quotation known in the trade as "cost and freight" or that known as "cost, freight, and insurance," then there shall be added to such reported price such sum or sums as shall make it the duty paid equivalent of "spot sales" of sugar of the same quality, the pound sterling being converted into United States currency at the average recorded rate of sight exchange of the National City Bank of New York on date of sale, and the loss of weight on Java cargoes sold on invoice weights being considered to be one-half of 1 per cent.

It is understood and agreed that the date of arrival of sugar for the purposes of this agreement shall be the date of arrival of the steamer at or off Delaware Breakwater as first reported by the Philadelphia Maritime Exchange, or if the steamer is intercepted by orders off Delaware Breakwater and not reported, then the date of delivery of such orders. In case any steamer shall by mutual agreement be ordered direct to Philadelphia, the date of arrival shall be the date of passing Delaware Breakwater as reported by said Philadelphia Maritime Exchange, and in case any steamer shall by mutual agreement be ordered direct to New York, the date of arrival shall be 12 hours prior to the actual time of arrival at upper quarantine in New York Harbor as reported by the Maritime Association of the Port of New York.

If sugars are delivered by railroad, the date of arrival shall be the date as the same shall appear on the records of the railroad company.

9. *Deductions and additions.*—The price as above ascertained for centrifugal sugars of 96° polarization shall be subject to the following deductions and additions:

First. On all sugars of 93° polarization and upward a flat deduction of one-tenth of a cent or 0.10 cent a pound, and on all sound sugars below 93° polarization a flat deduction of nine-fortieths of a cent or 0.225 cent per pound.

Second. On all sugars above 96° polarization an addition of one-thirty-second of a cent per pound per degree plus the difference in duty per degree on Cuban sugars, being a total addition under the law and treaty in force at the date of this agreement of 0.05205 cent per pound per degree; fractions of a degree in proportion.

Third. On all sugars below 96° polarization down to and including 94° polarization a deduction of one-sixteenth of a cent per pound per degree plus the difference in duty per degree on Cuban sugars, being a total deduction at present as aforesaid of 0.0833 cent per pound per degree; fractions of a degree in proportion.

Fourth. On all sugars below 94° polarization a deduction of three thirty-seconds of a cent per pound per degree from the basis of sugar of 94°, plus the difference in duty per degree on Cuban sugars, being a total deduction at present as aforesaid of 0.11455 cent per pound per degree; fractions of a degree in proportion.

10. *Tariff changes.*—It is understood and agreed that during the time elapsing between the signing of a bill generally changing the tariff duty on sugars and the date that the law, or portion of the law affecting sugar, takes effect, not exceeding, however, a period of 60 days immediately preceding the date of taking effect, either party at its option may refuse to deliver or to accept sugars under this agreement.

11. *Polarization.*—The grade of all sugars delivered under this agreement shall be determined by polarization made by both parties hereto, through competent and impartial chemists employed by each of them, from samples to be jointly taken upon the delivery of each lot, sampling at least one in four bags of each mark of all such lots; a third polarization shall be made by and according to the custom of the New York Sugar Trade Laboratory, and the average of the two nearest polarizations shall be the basis of settlement.

12. *Weight and tare.*—The weight of each lot of sugar shall be determined at time of delivery by the seller or its agents and checked by the buyer. If a schedule tare can not be arranged to the mutual satisfaction of buyer and seller, then the actual tare of all sugars delivered under this agreement shall be ascertained according to the custom of the trade and deducted.

13. *Title to sugar.*—The title to the sugar delivered under this agreement shall pass to the buyer as soon as weighed at port of delivery.

14. *Loss of sugar.*—All sugars shipped to the buyer which are lost by fire or perils of the sea in transit from the Hawaiian Islands to the port of destination or before title has passed to the buyer, or which are ordered to be sold for account of underwriters, shall be deducted from the proportion and minimum which the seller is obligated to sell and deliver under this agreement.

15. *Damaged sugar.*—In case of damage to any sugars delivered under this agreement the buyer agrees to accept on the dock where the sugar is ordered by it to be delivered all sugars which by the application of the salt-water test show evidence of salt-water damage at the actual polarization and at the net price hereinabove mentioned for sound sugars, but with an additional deduction for such damage of three thirty-seconds of a cent per pound. If this allowance is changed by custom of the trade, the same change is to apply to the sugars thereafter delivered under this agreement.

The buyer also agrees to accept all sugars affected by sweat or fresh water showing deterioration of 2° or more from the average polarization of the sound sugars of the same mark at the actual polarization and at the net price hereinabove mentioned, but with an additional deduction of one-sixteenth of a cent per pound for such damage.

16. *Quality, bags, etc.*—The seller agrees that all sugars delivered under this agreement shall be of the usual grades and color of Hawaiian Island sugars, as they are turned out, without mixing the different grades of dry sugars; that they shall be shipped in new bags of standard quality when the same are reasonably procurable, and at all times in good, sound bags; and that under no circumstances whatever will any sugars subject to this agreement be purposely delayed in shipment.

17. *Payment.*—The buyer agrees to pay for all sugars delivered under this agreement net cash United States gold coin or its equivalent, payable in New York in 10 days from average date of discharge from steamer, whether to wharf or lighter.

18. *Ton.*—The word "ton," as used in this agreement, means the short ton of 2,000 pounds.

19. *Arbitration.*—It is further agreed that all matters of disagreement arising under this agreement which can not be adjusted by the parties hereto to their mutual satisfaction shall be left to arbitration. Each party shall select one impartial arbitrator, and the two so selected shall select a third arbitrator, and the decision of any two of said arbitrators shall be final and conclusive upon the parties hereto. Any expense attached to such arbitration shall be divided equally between the parties.

20. *Parties.*—This agreement shall be binding upon the parties hereto, their successors, and assigns.

In witness whereof the party of the first part has caused these presents to be signed by its attorneys in fact thereunto duly authorized, and the party of the second part has caused its corporate name to be signed and its corporate seal to be affixed by its proper officers thereunto duly authorized the day and year first above written.

SUGAR FACTORS CO. (LTD.),
By its Attorneys in Fact.
F. M. SWANZY.
J. F. HUMBURG.
J. W. WALDRON.
WM. G. COOKE.
A. GARTLEY.

[SEAL.]

PENNSYLVANIA SUGAR CO.,
By G. H. EARLE, Jr.,
President.

Attest:

JOHN A. McCARTHY, *Secretary.*

EXHIBIT No. 67.

[Rolph No. 4.]

This agreement made this 11th day of November, 1915, by and between the Sugar Factors Co. (Ltd.), a corporation organized and existing under the laws of the Territory of Hawaii, hereinafter called the "seller," which expression shall include its successors and assigns, party of the first part, and Frederick H. Howell, James H. Post, and Thomas A. Howell, copartners doing business under the firm name of B. H. Howell Son & Co., hereinafter called the "buyer," which expression shall include the copartnership, its successors, and assigns and the individual copartners, their respective executors, administrators, and assigns, parties of the second part.

Witnesseth, that the seller and the buyer, in consideration of the mutual covenants and agreements hereinafter mentioned, do hereby covenant and agree as follows, to wit:

1. *Agreement for sale of sugar.*—The seller bargains and sells and agrees to deliver to the buyer, and the buyer agrees to purchase and receive at the ports of New York and Philadelphia, or either of them, at the option of the buyer, for the prices and upon the conditions hereinafter named, 50 per cent of the sugar available for shipment to the Atlantic coast of the United States of America during the crop year from October 1, 1915, to September 30, 1916, and the crop year from October 1, 1916, to September 30, 1917; that is to say, 50 per cent of all sugar produced during said periods on the plantations in the Hawaiian Islands for which the seller acts as agent or may hereafter during the term of this agreement act as agent, excepting such sugar as is sold for local consumption or manufacture within the Hawaiian Islands, and excepting such sugar as may be shipped to refineries on the Pacific coast.

2. *Plantations.*—The said plantations for which the seller now acts as agent are as follows, to wit:

Hawaiian Commercial & Sugar Co.
Hawaiian Sugar Co.
Kahuku Plantation Co.
Koolua Agricultural Co. (Ltd.).
Maui Agricultural Co.
McBryde Sugar Co. (Ltd.).
Apokaa Sugar Co. (Ltd.).
Ewa Plantation Co.
Kohala Sugar Co.
Waialua Agricultural Co. (Ltd.).
Hawaiian Agricultural Co.
Honomu Sugar Co.
Onomea Sugar Co.
Pepeekeo Sugar Co.
Wailuku Sugar Co.
Honokaa Sugar Co.
Pacific Sugar Mill.
Makee Sugar Co.
Hawi Mill & Plantation Co. (Ltd.).
G. N. Wilcox (Grove Farm Plantation).
Hawaii Mill Co. (Ltd.).
Kekaha Sugar Co. (Ltd.).
Kipahulu Sugar Co.
The Koloa Sugar Co.
Lihue Plantation Co. (Ltd.).
Pioneer Mill Co. (Ltd.).
Oahu Sugar Co. (Ltd.).
The Waimea Sugar Mill Co.
Hamakua Mill Co.
Kaiwiki Sugar Co. (Ltd.).
Kukaiau Plantation Co. (Ltd.).
Laupahoehoe Sugar Co.
Union Mill Co.
Waiakea Mill Co.
Olaa Sugar Co. (Ltd.).

3. *Maximum and minimum.*—It is understood and agreed that the maximum quantity which the buyer is obligated to purchase and receive from the crop of each of said crop years shall be 150,000 short tons, and that the minimum quantity which shall be sold and delivered by the seller from the crop of each of said crop years shall be 120,000 short tons, unforeseen causes beyond the control of the seller excepted. If on account of any such cause it becomes impossible to deliver said minimum quantity of sugar, the seller shall as soon as this condition becomes known notify the buyer thereof and shall thenceforth prorate any deficiency between its obligations under this agreement and its other agreements for the sale of sugar.

4. *Shipments.*—The seller agrees to ship the sugar covered by this agreement from ports of the Hawaiian Islands at as nearly equal intervals as the production of sugar and the transportation facilities permit from December 1, 1915, to September 30, 1916, and from December 1, 1916, to September 30, 1917. The date of any shipment shall be determined by the date of the bill of lading. The seller agrees to furnish prior to January 1 of each year a schedule of proposed shipments.

5. *Routes.*—The seller agrees to ship the sugar covered by this agreement by steamers via the Panama Canal when open to commerce. At any time or times said canal is not open to commerce the seller shall have the option of shipping via Cape Horn or via Straits of Magellan, or via the Isthmus of Tehuantepec, or via Pacific Ocean ports, thence by rail or by rail and steamer direct.

6. *Call for orders.*—The seller agrees that said steamers shall be ordered to call at Delaware Breakwater, there to await orders of the buyer to discharge either at New York or at Philadelphia. The buyer agrees to give such orders within 26 hours after arrival at Delaware Breakwater, Sundays and legal holidays excepted, or to pay any demurrage for which the seller may be liable to the steamship company.

7. *Delivery.*—All sugars shall be delivered in accordance with the custom of the port of New York or of the port of Philadelphia, in good order and sound condition, except as hereinafter provided, on such safe wharf, dock, or pier, where vessels can at all times lie safely afloat, as shall be designated by the buyer. The buyer shall have the privilege of ordering the vessel or shipment to be discharged at more than one wharf, dock, or pier, but the extra expense in that event shall be paid by the buyer.

The buyer agrees to receive cargo at the port of discharge from the steamship's tackles at the average rate of 1,250 tons per weather working day, Sundays, legal holidays, and causes beyond the control of the buyer excepted.

The buyer agrees that in case of steamers of a size or draft too great to lie at the designated dock, it will provide at its expense covered lighters acceptable to the steamship company in sufficient number to take care of the discharge of cargo as above provided.

In the event of the delay of any steamship through failure of the buyer to take delivery at the rate herein specified, the buyer agrees to pay any demurrage for which the seller may be liable to the steamship company.

8. *Price and basis.*—The buyer agrees to pay to the seller for each and every pound of sugar delivered the same price at which centrifugal sugars were sold on a basis of 96° polarization in the New York and Philadelphia markets for delivery at the port of New York or the port of Philadelphia, including duty, if any, on the average of 10 sugar market days previous to the date of arrival of such sugar at Delaware Breakwater.

The selling price of centrifugal sugar in the New York and Philadelphia markets shall be ascertained by the reports of Nevers & Callaghan, sugar brokers in New York City, if satisfactory, and in case of dissatisfaction by the reports of any other reputable sugar broker in said city who may hereafter be agreed upon by the parties hereto. Said selling price shall be deemed to be the price at which bona fide sales, whether private or public, of spot sugar or sugars reasonably due in 28 days, including duty, if any, are actually made in the regular course of trade, for a minimum quantity of 200 tons; but shall not include sales of Egyptian crystals nor sales to tobacconists nor of grocery sugar for direct consumption, nor sales of sugars for export to Canada, nor sales of Hawaiian sugars in the open markets of New York or Philadelphia, nor sales to speculators nor sales of options on the New York Coffee Exchange.

In case there are sales of different lots above the minimum quantity of 200 tons at different prices on the same day, then the average of the bona fide prices paid on such day regardless of quantity of such lots shall govern. In case there are no such sales on any one or more of the 10 days specified the last previous day's quotation shall be considered the quotation of such day or days of no sales.

In case the latest reported price for said centifugal sugar shall be for sugar afloat or for prompt shipment, but reasonably due within 28 days, being either the quotation known in the trade as "cost and freight," or that known as "cost, freight, and insurance," then there shall be added to such reported price such sum or sums as shall make it the duty paid equivalent of "spot sales" of sugar of the same quality, the pound sterling being converted into United States currency at the average recorded rate of sight exchange of the National City Bank of New York on date of sale, and the loss of weight on Java cargoes sold on invoice weights being considered to be one-half of 1 per cent.

It is understood and agreed that the date of arrival of sugar for the purposes of this agreement shall be the date of arrival of the steamer at or off Delaware Breakwater as first reported by the Philadelphia Maritime Exchange, or if the steamer is intercepted by orders off Delaware Breakwater and not reported, then the date of delivery of such orders. In case any steamer shall by mutual

agreement be ordered direct to Philadelphia the date of arrival shall be the date of passing Delaware Breakwater as reported by said Philadelphia Maritime Exchange, and in case any steamer shall by mutual agreement be ordered direct to New York the date of arrival shall be 12 hours prior to the actual time of arrival at upper quarantine in New York Harbor as reported by the Maritime Association of the Port of New York.

If sugars are delivered by railroad the date of arrival shall be the date, as the same shall appear on the records of the railroad company.

9. *Deductions and additions.*—The price as above ascertained for centrifugal sugars of 96° polarization shall be subject to the following deductions and additions:

First. On all sugars of 93° polarization and upward a flat deduction of one-tenth of a cent, or 0.10 cent a pound, and on all sound sugars below 93° polarization a flat deduction of nine-fortieth of a cent, or 0.225 cent per pound.

Second. On all sugars above 96° polarization an addition of one thirty-second of a cent per pound per degree, plus the difference in duty per degree on Cuban sugars, being a total addition under the law and treaty in force at the date of this agreement of 0.05205 cent per pound per degree; fractions of a degree in proportion.

Third. On all sugars below 96° polarization down to and including 94° polarization a deduction of one-sixteenth of a cent per pound per degree, plus the difference in duty per degree on Cuban sugars, being a total deduction at present as aforesaid of 0.0833 cent per pound per degree; fractions of a degree in proportion.

Fourth. On all sugars below 94° polarization a deduction of three thirty-seconds of a cent per pound per degree from the basis of sugar of 94°, plus the difference in duty per degree on Cuban sugars, being a total deduction at present as aforesaid of 0.11455 cent per pound per degree; fractions of a degree in proportion.

10. *Tariff changes.*—It is understood and agreed that during the time elapsing between the signing of a bill generally changing the tariff duty on sugars and the date that the law, or portion of the law affecting sugar, takes effect, not exceeding, however, a period of 60 days immediately preceding the date of taking effect, either party at its option may refuse to deliver or to accept sugars under this agreement.

11. *Polarization.*—The grade of all sugars delivered under this agreement shall be determined by polarization made by both parties hereto, through competent and impartial chemists employed by each of them, from samples to be jointly taken upon the delivery of each lot, sampling at least one in four bags of each mark of all such lots; a third polarization shall be made by and according to the custom of the New York Sugar Trade Laboratory, and the average of the two nearest polarizations shall be the basis of sett'ement.

12. *Weight and tare.*—The weight of each lot of sugar shall be determined at time of delivery by the seller, or its agents, and checked by the buyer. If a schedule tare can not be arranged to the mutual satisfaction of buyer and seller, then the actual tare of all sugars delivered under this agreement shall be ascertained according to the custom of the trade and deducted.

13. *Title to sugar.*—The tit'e to the sugar delivered under this agreement shall pass to the buyer as soon as weighed at port of delivery.

14. *Loss of sugar.*—All sugars shipped to the buyer which are lost by fire or perils of the sea in transit from the Hawaiian Islands to the port of destination, or before title has passed to the buyer, or which are ordered to be sold for account of underwriters, shall be deducted from the proportion and minimum which the seller is obligated to sell and deliver under this agreement.

15. *Damaged sugar.*—In case of damage to any sugars delivered under this agreement the buyer agrees to accept on the dock where the sugar is ordered by it to be delivered all sugars which by the application of the salt-water test show evidence of salt-water damage at the actual polarization and at the net price hereinabove mentioned for sound sugars, but with an additional deduction for such damage of $\frac{1}{32}$ of a cent per pound. If this allowance is changed by custom of the trade, the same change is to apply to the sugars thereafter delivered under this agreement.

The buyer also agrees to accept all sugars affected by sweat or fresh water showing deterioration of 2 degrees or more from the average polarization of the sound sugars of the same mark at the actual polarization, and at the net price hereinabove mentioned, but with an additional deduction of $\frac{1}{16}$ of a cent per pound for such damage.

16. *Quality, bags, etc.*—The seller agrees that all sugars delivered under this agreement shall be of the usual grades and color of Hawaiian Island sugars, as they are turned out, without mixing the different grades of dry sugars; that they shall be shipped in new bags of standard quality when the same are reasonably procurable, and at all times in good sound bags; and that under no circumstances whatever will any sugars subject to this agreement be purposely delayed in shipment.

17. *Payment.*—The buyer agrees to pay for all sugars delivered under this agreement net cash United States gold coin or its equivalent, payable in New York in 10 days from average date of discharge from steamer, whether to wharf or lighter.

18. *Ton.*—The word "ton" as used in this agreement means the short ton of 2,000 pounds.

19. *Arbitration.*—It is further agreed that all matters of disagreement arising under this agreement, which can not be adjusted by the parties hereto to their mutual satisfaction, shall be left to arbitration. Each party shall select one impartial arbitrator, and the two so selected shall select a third arbitrator, and the decision of any two of said arbitrators shall be final and conclusive upon the parties hereto. Any expense attached to such arbitration shall be divided equally between the parties.

20. *Parties.*—This agreement shall be binding upon the parties hereto, their executors, administrators, successors, and assigns.

In witness whereof the party of the first party has caused these presents to be signed by its attorneys in fact thereunto duly authorized and the parties of the second part have signed these presents the day and year first above written.

SUGAR FACTORS CO. (LTD.),
By its attorneys in fact,
F. M. SWANZY.
J. F. HUMBURG.
J. W. WALDRON.
WM. G. COOKE.
A. GARTLEY.
B. H. HOWELL SON & CO.

Mr. ROLPH. In regard to beet prices, the normal price in California was, some time ago, $5.70. In 1917 that price was advanced to the equivalent of 7 cents—$7, with $8.20 for 19 per cent beets. The $5.70 is for 19 per cent beets; $8.70 for 1917 is for 19 per cent beets, and the contracts which are now offered for 1918 are the equivalent of $9.50 for 19 per cent beets.

Senator VARDAMAN. What does that mean—19 per cent beets?

Mr. ROLPH. All the beet contracts are based on a beet containing a certain percentage of sugar—15 per cent. If the beet contains more or less sugar, they are paid a higher or a lower price, in proportion to the sugar content of the beets.

The CHAIRMAN. You mean now, by these figures you have given us, to give us a complete statement in regard to the prices in California, or are those figures simply the prices paid by certain factories or in certain localities?

Mr. ROLPH. These are for seven of the sugar factories in California.

The CHAIRMAN. Where did you get those figures?

Mr. ROLPH. These figures were handed me by Mr. Peck, the president and manager of the Annaheim Sugar Co.

The CHAIRMAN. When?

Mr. ROLPH. Last night.

The CHAIRMAN. Mr. Peck is here?

Mr. ROLPH. Mr. Peck is in Washington; yes.

The CHAIRMAN. Yes.

Mr. ROLPH. In Utah, in 1916, there was a $5 flat rate for 15 per cent beets, and 25 cents less for each per cent below, and a 50-cent bonus per ton was also paid in addition.

In 1917 there was a $7 flat rate for 15 per cent beets and 25 cents less for each per cent below, and a 50-cent bonus per ton was also paid in addition.

For 1918 there was a flat rate of $8.50, with the same additions and reductions as for the previous years. So that there is an optional profit-sharing contract guaranteeing $7 per ton and dividing all receipts for sugar half and half with the grower over a certain price for sugar.

The CHAIRMAN. That is very important. What was that certain price?

Mr. ROLPH. It is down here at $5.50, but I do not know whether that is correct or not.

The CHAIRMAN. $5.50 is so high that there is not much left to divide, is there?

Mr. ROLPH. $5.50?

The CHAIRMAN. Yes.

Mr. ROLPH. No; $5.50 is comparatively low. It is about the cost of producing beet sugar at the factory.

The CHAIRMAN. It is about $1 above, I guess you will find out.

Mr. ROLPH. In Colorado in 1917 the rate for 12 to 14 per cent beets was $6.50. For 15 per cent beets it was $7 plus the 25 cents for each additional per cent.

In the 1918 contract the rate for 12 to 14 per cent beets was $8.37½, and for 15 per cent beets $8.75 plus 25 cents for each additional per cent of sugar.

In connection with this whole question of the beet price I would say that a commission is being set up in the Food Administration to investigate the whole question of the prices paid the farmer.

The CHAIRMAN. When did you commence to set that commission up?

Mr. ROLPH. The question has been under discussion for two weeks, I should say.

The CHAIRMAN. As a matter of fact, there was not anything done about that until these beet-sugar people came here to this hearing, and some of them have been waiting here?

Mr. ROLPH. I beg your pardon.

The CHAIRMAN. As a matter of fact, that arrangement is now being discussed—about 11 o'clock—is it not?

Mr. ROLPH. I know that I personally invited some of the California beet people on here two weeks ago, myself, for the purpose of discussing the same subject and of going into it.

The CHAIRMAN. Of price fixing?

Mr. ROLPH. Not price fixing; no.

The CHAIRMAN. Into what; the price they would get for their beets?

Mr. ROLPH. Going into the question of what would be a fair division of the price.

The CHAIRMAN. To what purpose, now, unless you were to have something to grow out of it; why were you trying to ascertain what would be a fair division?

Mr. ROLPH. The beet farmers, or some of them, had claimed that the prices which were allowed by the factories for the beets were too low, as I understood the situation. I am not a beet-sugar manufac-

turer, and I am wholly at sea in discussing the beet question, and so I invited them on to hear their story.

The CHAIRMAN. Now, you did hear their story, and nothing was done about it?

Mr. ROLPH. No; I have not heard their story yet.

The CHAIRMAN. You have not heard it yet?

Mr. ROLPH. No, sir.

The CHAIRMAN. Their story is being heard, and there is a discussion going on? Do you not understand that there is a discussion being held this morning between the Food Administration and the beet-sugar producers—I mean the sugar-beet producers?

Mr. ROLPH. I did not know that there was a meeting going on this morning, but I knew there was a commission to be set up. I knew that several days ago.

The CHAIRMAN. They are discussing now the question of whether or not they will have a commission, are they not?

Mr. ROLPH. Yes.

The CHAIRMAN. And not the question of the commission having already been agreed upon and set up——

Mr. ROLPH. There are a great many things, Mr. Chairman, that I certainly have not had time to take up, and they will all be taken up in due time. Since I have been here I have been engaged in this work from 8 o'clock in the morning until my average bedtime, which is from about half past 1 until 2 o'clock in the morning; and it is impossible for me to take up and solve all the troubles of everybody in the sugar trade—physically impossible.

The CHAIRMAN. Of course it was impossible, but when you were fixing the price of sugar——

Mr. ROLPH. I never fixed the price. What price do you mean? What are you talking about?

The CHAIRMAN. If you will let me ask the question, I will make it plain to you.

Mr. ROLPH. Pardon me.

The CHAIRMAN. When you were fixing the price of 7.25 for beet sugar, the factories were using beets, and did you think the interest of all the beet producers was not a very serious matter, and one that ought to receive immediate attention?

Mr. ROLPH. I tried to make it clear yesterday that that question of 7.25 was purely a voluntary act—the very patriotic act, I thought—on the part of the beet factories in accepting and fixing their own price, as a voluntary contract.

The CHAIRMAN. Then, you did not have anything to do with fixing the price of 7.25?

Mr. ROLPH. No; I had to accept what they were willing to make it.

The CHAIRMAN. Did you not say yesterday that you fixed it with reference to—did you not say yesterday that when you fixed that, you fixed it with reference to the Cuban price?

Mr. ROLPH. No; I do not think I did.

The CHAIRMAN. The contemplated Cuban price of 4.50.

Mr. ROLPH. I think that you suggested that, and I told you that I had it in mind.

The CHAIRMAN. Well, having it in mind, did it have any effect on the negotiations or not?

Mr. ROLPH. I tried to get the beet people to make a fixed 6.25 or 6.75 voluntary offer.

The CHAIRMAN. Did you make that little piece of paper, or have it made [handing paper to witness]?

Mr. ROLPH. I do not recall that, but I would not be surprised.

The CHAIRMAN. You gave that to Mr. Spreckels, did you not?

Mr. ROLPH. No; I do not think I did, but I would not say that I did not.

The CHAIRMAN. What does that show, anyway?

Mr. ROLPH. I do not recognize this document at all. It states, "Granulated sugar 7.25, less 2 per cent, 14 cents; 7.11 net."

The CHAIRMAN. Of course, I can read it. I thought maybe you could tell us what that was; if that is not a comparison in fact between the Cuban prices and the beet prices, as fixed at 7.25; is not that what it is?

Mr. ROLPH. I do not think I ever had anything to do with that price, because I have never in all my calculations, until the last few days, referred to 1.02 on the duty, but I had gone very carefully into the question of the cost of producing Cuban sugars, and I had obtained the average cost price of the production in Cuba. I had Mr. Sheridan, of the Federal Tariff Board—the Tariff Board, I think it is—come into my office and check over the figures as best he could, and I was convinced by taking the average cost of Cuban sugars which were given up to that time as 3.35 plus the freight, with the normal margin of 1.12, that the price of Cuban sugars would have to be somewhere in the neighborhood of 4.50.

The CHAIRMAN. I do not want to be technical about it at all and I do not think you do, but do you not recall having given Mr. Spreckels this slip of paper when you were discussing the question of prices of sugars?

Mr. ROLPH. At what time?

The CHAIRMAN. I can not fix the exact date. I ask you if you did not give it to him along during the time these negotiations were going on, or shortly thereafter?

Mr. ROLPH. Which negotiation do you refer to?

The CHAIRMAN. The negotiation——

Mr. ROLPH. In regard to the beet price?

The CHAIRMAN. Yes.

Mr. ROLPH. The beet price was settled on the 19th of September, and this document is dated the 5th of October, so that I do not think I handed that to Mr. Spreckels.

The CHAIRMAN. You do not think you handed it to him at all?

Mr. ROLPH. No, sir.

The CHAIRMAN. You do not think this was made in your office?

Mr. ROLPH. Sir?

The CHAIRMAN. You do not think this was prepared in your office?

Mr. ROLPH. I would not say one way or the other, but I never saw that before.

The CHAIRMAN. There is one other question I want to ask you so that there will be no difference between us in regard to our understanding. You presented a plat here yesterday showing sugar prices; I believe that is before you now, is it not?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. And I think I asked you with reference to that plat as to the average price of sugars and you stated that they had run throughout the year in accordance with that line that is drawn on the map, the wholesale prices. Can I have that a little closer, so I can see the figures? [The plat was handed to the chairman.] That is near enough. You then stated, in substance, that the price fixed of 7.25 was less than the average price for 1917. I think I quote you correctly.

Mr. ROLPH. Except in so far as the price was a voluntary price with the beet people. You realize that this was a matter of purely voluntary action on their part. They were appealed to as a patriotic measure to bring this price, which was then soaring, from there [indicating] down to here [indicating], and it was purely, I considered, a patriotic action on their part even in accepting the 7.25.

The CHAIRMAN. I understand that it was very patriotic, and I understand that it was purely voluntary, according to your construction. I also understand that there was not anything voluntary about any of these arrangements—a fact that can be very easily demonstrated—but we will not argue that. I wanted to get at this question:

When you spoke of the average price, did you mean the average price by months, or did you mean the average price received per pound for the crop? To make myself clear, by way of explanation, starting in the month of January, sugars were a little above 5 cents, according to this map. Now, is it not a fact that the greater part of the Cuban sugar was marketed at the lower prices?

Mr. ROLPH. I can not tell you how much was marketed at the lower prices, because sales were made right straight through to here [indicating] all through September——

The CHAIRMAN. Yes; I know they were; but can you not tell me whether or not it is a fact that by the month of June, when sugar was still below 6 cents, having at one period been slightly above that——

Senator JONES. Are you speaking of raw sugar?

The CHAIRMAN. Raw sugar. Let me ask the question again, now: Can you not tell us whether or not, between the month of January and the 1st day of July, the greater part of the Cuban sugars had been marketed and sold?

Mr. ROLPH. No; I can not tell you that.

The CHAIRMAN. Is it not a fact that over two-thirds of all the sugars had been sold at that time?

Mr. ROLPH. That I can not answer.

The CHAIRMAN. Is it not a fact that over three-fourths of all the sugars had been sold at that time?

Mr. ROLPH. I do not believe it was. All I can tell you is that the sugars that the company that I was connected with, the raw sugar they had on hand on the 1st day of October, represented a net cost of over 7 cents, and we sold it at 7.25 less 2 per cent, or 7.10, there.

The CHAIRMAN. Your company?

Mr. ROLPH. Yes, sir; and we took a loss on it of $700,000.

The CHAIRMAN. Which sugar is that?

Mr. ROLPH. That is the sugar of the California-Hawaiian Sugar Refining Co., that has been referred to here so much, that Mr. Spreckels wanted to bring East, which was used to alleviate the

famine situation in the Middle West. That was all sold at 7.25 less 2 per cent, or 7.10, while he was selling at 8½, from 8¼ to 8½, and since that time has been selling his sugar at 8.35 less 2 per cent.

The CHAIRMAN. Now, we will just go back to this proposition: First, you say that you sold your sugar at 7.25?

Mr. ROLPH. Less 2 per cent.

The CHAIRMAN. Less 2 per cent?

Mr. ROLPH. As illustrated by this blue line.

The CHAIRMAN. Very well; and that you took a loss?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Do you mean that you had bought your sugar at such a price that the sale at this price made you out of pocket that amount of money?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. You had bought your sugar or taken your sugar from yourselves, had you not?

Mr. ROLPH. Yes.

The CHAIRMAN. So that when you say that you had lost money, the way you figure that out is that the Factors Co., which owned the refining company, had a contract with the refining company by the terms of which it was to get a certain price based on the New York market, and that when it did not get that price there was a loss of the difference; and do you say that is an actual loss?

Mr. ROLPH. I not only say that it is an actual loss, but I say that the refining company has just as much money invested proportionately, it is just as much a separate, individual entity, as the refinery that Mr. Spreckels is operating, and I say that it is entitled to its profit for that particular end of the business; and there was no time since October 1, when this food bill went into effect or when these voluntary agreements went into effect, that this sugar could not have been sold at 8.35. I could have shipped it—it could have been shipped into this eastern territory and sold at 8.35. Instead of that, it was sold——

The CHAIRMAN. Could you ship it?

Mr. ROLPH. We could not ship it, because there was no available tonnage to bring it. It was shipped as far as it was——

The CHAIRMAN. Now, either one of two things is true; either you could have shipped it and made the profit, or you could not have shipped it, and therefore could not have made the profit. Now, which is correct?

Mr. ROLPH. The fact of the matter is that it was shipped into the Middle West, into the States of Missouri, Kansas, Nebraska, Iowa, Indiana——

The CHAIRMAN. No; but let us stick to the text.

Mr. ROLPH (continuing). And sold there at 7.25.

The CHAIRMAN. You can not eat this cake and have it, Mr. Rolph. Either you could ship that sugar and make the profit, or you could not. Now, could you have shipped that sugar to the eastern seaboard?

Mr. ROLPH. No; not to the eastern seaboard.

The CHAIRMAN. Then you could not have shipped it where you could have made the profit, could you?

Mr. ROLPH. Yes; I could have in the very States in which I sold it.

The CHAIRMAN. You could have sold it in these very States at this higher premium?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Very well. Now we will come to that. Was not your contract between these companies that the sugar was to be sold at the New York price less 25 cents?

Mr. ROLPH. Yes.

The CHAIRMAN. What was the New York price?

Mr. ROLPH. This line here that you see [indicating].

The CHAIRMAN. That was the New York price?

Mr. ROLPH. That was the New York price.

The CHAIRMAN. And did you sell below the New York price?

Mr. ROLPH. We bought sugar in here [indicating], the raw sugar in there [indicating], and we sold it on the basis of that line, which was less than the cost.

The CHAIRMAN. That will not mean anything at all. When you sold your sugar on the basis of this line for October, was the general market higher than you sold it?

Mr. ROLPH. After October?

The CHAIRMAN. Yes.

Mr. ROLPH. The market after the 1st of October was 6.90 New York for raw sugar, and we bought our sugar at——

The CHAIRMAN. Oh, well, you bought from yourselves. It is funny to me.

Mr. ROLPH. It is not funny when you realize what it means.

The CHAIRMAN. Very funny.

Mr. ROLPH. We bought the sugar at $6.65 raw and we sold it at $7.10 net, on a margin of 45 cents, while the margin that Mr. Spreckels was charging at that time was $1.30, and the margin that he had been charging before ranged anywhere from $1.80 to $2.20.

The CHAIRMAN. We will get to that in a moment; but you bought this sugar from yourselves; and now I want to know, if you could get cars to ship this sugar to the Missouri River points, why you could not get cars to ship it on to eastern points?

Mr. ROLPH. May I hand you a letter from Mr. Edward Chambers, the traffic manager of the Food Administration?

The CHAIRMAN. Just answer me whether you could have done it or not.

Mr. ROLPH. No; because there was a very serious blockade this side of Chicago.

The CHAIRMAN. And you could not have gotten it to the eastern points if you wanted to?

Mr. ROLPH. No; we could not have shipped that sugar east of the Alleghenies.

The CHAIRMAN. And you could not have gotten it East. Oh, you could have gotten it clear up to the Alleghenies, could you?

Mr. ROLPH. I imagine that we could have got it somewhere into Ohio.

The CHAIRMAN. If you had gotten this sugar into Ohio, would that not have relieved the demand that was made upon the eastern refiners for sugar in that part of the country?

Mr. ROLPH. No; because the Michigan and Ohio factories were supplying that demand.

The CHAIRMAN. When did they begin to supply it?

Mr. ROLPH. They started up toward the latter part of October.

The CHAIRMAN. If the Michigan and Ohio factories were supplying that demand, and you had sent your sugar in there from California, would not then the Michigan sugars have been free to have moved over to the Atlantic seaboard, or in part?

Mr. ROLPH. But it took all of the sugar that we had to help fill up the gap in between.

The CHAIRMAN. I know that is your statement, but I am speaking to this other theme. If you had got your sugars up to the Allegheny Mountains, they would have supplied the place there of sugars a part of which came from sources that could have reached the Atlantic seaboard. Is not that true?

Mr. ROLPH. Well, the point is this, that the district in between——

The CHAIRMAN. But is not that true?

Mr. ROLPH. I know, but it is a wrong conclusion for you to draw, because the district in between, in those States that I have mentioned to you, was just as desperately in need of sugar as any other part of the country.

The CHAIRMAN. That is your conclusion, and upon that minds might differ and be perfectly honest, too. I am asking you if it is not a fact?

Mr. ROLPH. That is a fact that I have just stated.

The CHAIRMAN. Is it not a fact that I have stated, that if these sugars had been sent from California on to the Atlantic seaboard, they would have relieved the pressure there so that Michigan sugars and other sugars that could have reached the eastern seaboard could have been employed in the East, instead of being distributed to a point far west of the Alleghenies? That would have been the result if you had sent your sugars in, would it not? I am not dealing now with the question of whether you ought to have sent them or not, but that would have been the result if you had done it, would it not? [A pause.] Oh, well, it is obvious. I will not argue the obvious.

Now, you have done a good deal of testifying here about the high prices that were charged by Mr. Spreckels. Which is the Spreckels line on this map?

Mr. ROLPH. That red line.

The CHAIRMAN As a matter of fact, beginning back in the month of January or February, were there some disturbances in the sugar situation?

Mr. ROLPH. Yes; there were.

The CHAIRMAN. What were those disturbances occasioned by?

Mr. ROLPH. They were occasioned principally by troubles in Cuba.

The CHAIRMAN. Yes; there were troubles in Cuba. The tendency of those troubles, now, was what?

Mr. ROLPH. To reduce the crop.

The CHAIRMAN. Did it also have some tendency to boost sugar prices and to make some consternation in the trade?

Mr. ROLPH. Any disturbance in the production of sugar anywhere in the world has a tendency to advance prices.

The CHAIRMAN. Any disturbances of the law of supply and demand has that effect?

Mr. ROLPH. Not necessarily.

The CHAIRMAN. Of course, that is true. There might be a disturbance that would put it down. Now, was there some other dis-

turbance that had something to do with sugar prices besides the Cuban?

Mr. ROLPH. Not that I know of, unless it was the strikes in the eastern refineries at that time.

The CHAIRMAN. Were not those strikes an important factor?

Mr. ROLPH. Not necessarily so. It would depend entirely on how long they lasted and how many refineries were affected.

The CHAIRMAN. Well, this is not a matter of speculation. We are not required to inquire whether they lasted long or might last a long or a short time. They did last a certain time, and as a sugar man you know about them. I am asking you now if they were a serious disturbing factor?

Mr. ROLPH. In the prices of refined or the prices of raw, or what?

The CHAIRMAN. In the prices of sugar.

Mr. ROLPH. Which sugar?

The CHAIRMAN. Well, refined sugar.

Mr. ROLPH. I should not think that a strike should materially affect the price of refined sugar.

The CHAIRMAN. I am not asking you any speculative question. I am asking you about this particular strike. When this strike occurred in the great mills or refineries of what I will call, without desiring to be offensive, the Sugar Trust, did it have the effect of limiting the supply of refined sugar?

Mr. ROLPH. It would have the effect of limiting the——

The CHAIRMAN. Did it?

Mr. ROLPH. It would have the tendency of limiting the supply of raw sugar and would give the profiteers an opportunity to sell at any price that the buyer was willing to pay.

The CHAIRMAN. Let us get away from profiteers. I asked you, did these great strikes occur in the Sugar Trust mills?

Mr. ROLPH. I think they occurred in practically all the refineries in the East.

The CHAIRMAN. Very well. They did not occur in Mr. Spreckels' refinery, did they?

Mr. ROLPH. I do not know whether they did or not.

The CHAIRMAN. He raised his wages three or four times, did he not, and kept his men? That is the truth, is it not?

Mr. ROLPH. I do not know. I have not heard the particulars.

The CHAIRMAN. Very well. You did not hear at the time, I suppose? Very well. They occurred, then, not only in the mills of the Sugar Trust but they occurred in all of the refineries except a few. That is your answer now.

Mr. ROLPH. So far as I know.

The CHAIRMAN. Yes. Well, that simply makes the difficulty that much greater. Now, is it or is it not true that that had the effect of limiting the output of those mills for the time being?

Mr. ROLPH. It did.

The CHAIRMAN. When you limit the output of a thing that is to supply the market, does it have any effect upon the market prices?

Mr. ROLPH. Yes; it naturally goes up.

The CHAIRMAN. Yes. Did these strikes produce a feeling throughout the country that there was liable to be a sugar shortage, and was there agitation of that kind throughout the country?

Mr. ROLPH. There was.

The CHAIRMAN. And there were a great many newspaper comments of that kind, were there not?

Mr. ROLPH. There were.

The CHAIRMAN. And the result was that sugar prices mounted. That is true, is it not?

Mr. ROLPH. Some of them mounted.

The CHAIRMAN. Yes.

Mr. ROLPH. Some of them did not.

The CHAIRMAN. As a matter of fact, Mr. Spreckels's mills never did shut down during this strike period, did they—during the strike period?

Mr. ROLPH. I have just testified that I do not know whether they shut down or not.

The CHAIRMAN. He never had any strike, did he?

Mr. ROLPH. I do not know.

The CHAIRMAN. You seem to be very well posted about his prices.

Mr. ROLPH. Well, I have the chart before me.

The CHAIRMAN. But you do not know whether he sold any sugar at those prices or not, do you?

Mr. ROLPH. I am sure he did.

The CHAIRMAN. Where did you get the data from to make those red lines?

Mr. ROLPH. This chart was made up and checked by Willett & Gray.

The CHAIRMAN. And made from quotation prices, were they not?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Now, I want to ask you if this is not the fact, that when one sugar factory raises its price substantially above the price charged by another sugar factory or refinery, that means that the factory that has substantially raised its price practically ceases the sale of sugar, because any sensible man knowing the prices goes and buys from the man that has the low-priced sugar, if he can get it?

Mr. ROLPH. Yes; but I heard Mr. Spreckels testify here that he sold 400,000 tons this year, so he must have sold it.

The CHAIRMAN. Oh, well, I am not asking you that. Is it not a fact that when one sugar refiner raises his prices materially above the prices quoted by other sugar refiners, if the other sugar refiners have sugar to sell and deliver, that means that the man that has put the high price on substantially ceases selling sugar and goes, in the trade term, out of the market?

Mr. ROLPH. If he withdraws, he does.

The CHAIRMAN. Whether he withdraws or not, is there not one way of withdrawing by simply saying you will not sell and another way of withdrawing by putting your price materially above the others?

Mr. ROLPH. Yes.

The CHAIRMAN. In both events the sales practically cease?

Mr. ROLPH. No, sir. It depends on conditions.

The CHAIRMAN. If the man that has the low price of sugar is ready to supply the market, does it not inevitably follow that the man that makes a materially higher price substantially goes out of the market?

Mr. ROLPH. No; because it depends on conditions. If one man remains low and all the others are high, that one man can not supply the market, and the others know it.

The CHAIRMAN. Ah, but I put into my question the proposition that he remained able to sell—to supply the low man.

Mr. ROLPH. If the low man was able to supply all of the trade——

The CHAIRMAN. That was in my question.

Mr. ROLPH (continuing). That would be true.

The CHAIRMAN. Yes. Now, then, did the Sugar Trust, that has claimed the credit here of keeping prices down on that lower line, supply the market or did it not supply the market during the times that it was away below Mr. Spreckels?

Mr. ROLPH. They supplied their normal requirements, which, according to reports which have been turned in to the Food Administration, represented something over 1,200,000 tons which they sold on those lines.

The CHAIRMAN. You say those were their normal requirements?

Mr. ROLPH. I think about that amount.

The CHAIRMAN. As a matter of fact, did they not fall off, and fall off materially, during those strike periods, and was not the run on Mr. Spreckels's sugar—Mr. Spreckels's factory being open—so great that he had to raise the prices because he was sold out? Now, is not that the fact, while you are trying to claim that this man has been robbing the American consumer, that he sold his sugars at substantially the same price the rest of them did until a condition was produced where he could not supply the market, and where he had to put on a high price in order to protect himself against excessive demands?

Mr. ROLPH. No, sir; I do not think so, because I did not do it myself, and the lines prove that I did not do it.

The CHAIRMAN. You did not do it?

Mr. ROLPH. No.

The CHAIRMAN. You were off there in California?

Mr. ROLPH. Yes; the same conditions.

The CHAIRMAN. And you say that the railroad conditions were such that you could not even get to the Atlantic coast?

Mr. ROLPH. The same conditions.

The CHAIRMAN. You were fenced off, but Mr. Spreckels was here on the Atlantic coast, with his factory in this place, where the sugar famine took place.

Mr. ROLPH. There was no difficulty——

The CHAIRMAN. Now, is it not a fact that those lines that you have drawn up there showing Mr. Spreckels's prices were simply quotation prices, that he was practically out of the market at those times? Is not that the fact?

Mr. ROLPH. No; it is not the fact, in my opinion, because if that was——

The CHAIRMAN. Well, do you know, or is it a mere opinion?

Mr. ROLPH (continuing). Because if that was the fact, the only time that he sold any sugar was there [indicating] and there [indicating], when it was not possible for him to have sold 400,000 tons of sugar during the year.

The CHAIRMAN. That is your opinion. Now, is it not a fact that when these other sugar refiners, particularly the Sugar Trust, were

having these strikes in their factories over the question of wages, Mr. Spreckels raised the wages of his men, kept down labor difficulties, and that he made either two or three or four raises of wages?

(Mr. Rolph consulted a gentleman who sat by his side.)

The CHAIRMAN. If you do not have the information, please say so. I do not object to a witness turning to somebody for figures or data of that kind, but if you do not know the fact that I am calling for, then I would prefer that you say you do not know, because then I will get it from somebody else. Of course I know your intentions are perfectly proper and those of the gentleman who sits by you.

This trouble in Cuba was over before very long; it did not last long?

Mr. ROLPH. The trouble in Cuba ran from February until May.

The CHAIRMAN. And had a tendency to boost prices during that period, as you say?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. And then came the strikes, and they occurred when?

Mr. ROLPH. No; the strikes occurred in Cuba about the same time.

The CHAIRMAN. I should have said then. So you had those two causes producing the cumulative effect of higher prices?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. And if those causes had not existed, the prices of sugar would have been smaller. That is true, is it not, they would have been lower?

Mr. ROLPH. I do not think that they would have been lower than this line here. [Indicating on chart.]

Senator LODGE. That is not the question.

The CHAIRMAN. They would have been lower throughout the year, would they not, naturally?

Mr. ROLPH. No. They might have been lower in April and May than they were, but along in June and July it began to be understood that there was not enough sugar in Cuba to go around.

The CHAIRMAN. Let us see about that. When a man is obliged to buy on a market, and sell, not on market conditions, but upon figures that may be arbitrarily fixed, does that have a tendency to send men into the market to buy, or to keep them out of the market?

Mr. ROLPH. I should say that it had a tendency to stabilize the price, and that they would go in the market.

The CHAIRMAN. That is to say, now, if men are required to go and purchase their supplies in the month of January upon an open market, and then they have reason to believe that they will not be permitted to sell upon an open market, but to sell upon a market the prices of which are to be fixed, and they do not know where they are to be fixed, does that have a tendency to send men into the market to buy or to keep them out?

Mr. ROLPH. No; that would have a tendency, probably, to keep them out.

The CHAIRMAN. Is not this a fact, Mr. Rolph, that business men, in purchasing their supplies—large supplies, contracting ahead—generally look around and take into consideration the world supplies and the world demand for those articles, and figure it out the best they can and try to arrive at a point where they will be certain to make a profit? Is not that the ordinary way men do business?

Mr. ROLPH. Usually the price of the commodity in the basic market reflects all those conditions.

The CHAIRMAN. But it does reflect them because the men who make that market have taken all those things into consideration?

Mr. ROLPH. That is correct.

The CHAIRMAN. Will you tell me when it was that the Europeans—Governments, commissions, or individuals—raided (I will use that term) the Cuban market and got a large amount of raw sugars? When did they go in and get those sugars?

Mr. ROLPH. They have been buying increasing amounts of raw sugar from Cuba ever since the war began.

The CHAIRMAN. But I am speaking about this year.

Mr. ROLPH. This year they bought very heavily in July and August.

The CHAIRMAN. July and August?

Mr. ROLPH. In June, July, and August.

The CHAIRMAN. Do you think there was any special reason for them to make those purchases in July and August?

Mr. ROLPH. Yes; I think the introduction into the Congress of what was known as the drawback bill, and the application of an excise tax of a half a cent, made them feel that if they bought refined sugar in this country they would have to pay a cent and a half more for the refined on account of those bills. They thought that, being war measures, they would probably pass Congress rapidly, and so they bought the raw sugar in Cuba for any price they could get it for in order to save that additional charge.

The CHAIRMAN. Then they bought 300,000 tons less from our refiners than they had the year before?

Mr. ROLPH. Correct.

The CHAIRMAN. So that there was a net gain as between the 200,000 excess of raws that they bought and the 300,000 deficiency of refined that they did not get; there was a net gain of 100,000 tons to the good for the supply of this country?

Mr. ROLPH. That is quite true. If Mr. Spreckels had bought that sugar that went to Europe, or the other refiners had bought that sugar that went to Europe, it would have made this difference, that we would have had the sugar here, and could have held it or exported it, at our option. But the fact of the matter is that the sugar went to ourselves or our allies who are fighting this war in Europe, and, so far as I can see, it makes very little difference where it went.

The CHAIRMAN. As a matter of fact, though, when you sugar men are talking continually here about this wicked Congress having had a bill introduced that proposed to change the drawback, the amount of it is that whether that had any effect or did not have any effect, while 200,000 tons more of Cuban raws were bought last year by Europeans than the year previous, there were 300,000 tons less of refined taken. That is the fact, is it not?

Mr. ROLPH. That is correct.

The CHAIRMAN. When Mr. Hoover came here, did he issue some announcements himself about reducing the price of sugar?

Mr. ROLPH. I do not know.

The CHAIRMAN. And the price of food to the consumers?

Mr. ROLPH. I do not know.

The CHAIRMAN. When did you become connected with Mr. Hoover?

Mr. ROLPH. I came here the latter part of June, and then went back to the coast, and I arrived here on the 15th of August.

The CHAIRMAN. You stated yesterday, in answer to Senator Lodge, that it had been part of the purpose to reduce the price of sugars.

Mr. ROLPH. Of foodstuffs.

The CHAIRMAN. Of which sugar is one?

Mr. ROLPH. I would like, if I may——

The CHAIRMAN. He asked about sugar.

Senator LODGE. The plan was to reduce the price to the consumer, and at the same time stimulate production.

Mr. ROLPH. I would like to show to Senator Lodge a statement of the price of wheat and bulk flour, showing that while the price of wheat has gone up over 1916 and 1917 to the basis fixed by Congress, the price of flour has come down, and is lower than the barrel price of flour in 1916 at the same time.

The CHAIRMAN. Yes. I would like also to go into that question. It is a very interesting one. But we are not going into it now.

Senator LODGE. I am inquiring about sugar, and while Senator Reed is waiting, I see here on this chart you have Mr. Spreckels up here and here the Sugar Refining Co. and your company—what I may call the patriotic companies—lower. But at the same time they reached their high point there [indicating]. About what date in August was that, comparatively speaking? Those are the highest points.

Mr. ROLPH. The early days of August.

Senator LODGE. I know that, but I mean about what date?

Mr. ROLPH. I think about the 5th of August.

Senator LODGE. These lines were from the 5th to the 10th?

Mr. MCCARTHY. From the 5th to the end of August, from the first few days of August.

Senator LODGE. What was the date when they closed the exchange in New York?

Mr. ROLPH. I think that was the 16th day of August.

The CHAIRMAN. I believe you said yesterday that there was considerable hoarding in this country. Was it you who testified to that, or Mr. Babst?

Mr. ROLPH. I think that Mr. Babst testified to it, and I think that I did.

The CHAIRMAN. What caused that hoarding?

Mr. ROLPH. I think it was the rumors of trouble in Cuba that started it, because that hoarding was general all over the United States. It was the same on the Pacific coast as on the Atlantic.

The CHAIRMAN. In other words, it was the alarm lest the sugar supply should give out?

Mr. ROLPH. That is correct.

The CHAIRMAN. You say the troubles in Cuba. The strike troubles contributed to that, did they not?

Mr. ROLPH. You mean the strike troubles in Cuba?

The CHAIRMAN. No; the strike troubles in this country, in the big sugar factories.

Mr. ROLPH. The strike situation on the Atlantic seaboard could not have affected the situation on the Pacific coast.

The CHAIRMAN. Is it not a fact that growing out of the strikes in the sugar mills and growing out of the difficulties in Cuba the newspapers of this country began to tell the people of the country that there was likely to be a sugar famine?

Mr. ROLPH. Yes.

The CHAIRMAN. And was not that agitation and that alarm the cause of the hoarding?

Mr. ROLPH. It was, in my opinion.

The CHAIRMAN. Do you think that it was a good thing to contribute to that alarm and cause more hoarding, or was it the proper thing to send out such reports as Mr. Babst said he sent out, to the effect that sugar was going to be plentiful, that people need not be worried—those advertisements Mr. Babst put out? Which was the right thing to do?

Mr. ROLPH. The right thing to do was to have stated the facts as they were.

The CHAIRMAN. And not either try to agitate beyond the facts and create an alarm, or to soothe the people unduly in regard to the true facts?

Mr. ROLPH. I think that they should have been advised of the facts. It depends on the situation. Out on the Pacific coast we did everything we could to allay their fears, because we knew the sugar was coming. We actually sold 20,000 tons of sugar that we did not have in order to try to allay the fears of the people, to give them the supplies.

The CHAIRMAN. What you did there would have been the proper thing to have done anywhere, would it not?

Mr. ROLPH. If we had the sugar; yes.

The CHAIRMAN. And if they did not have the sugar, nevertheless, to try to allay the fears of the people so that they would not go wild and try to hoard sugar?

Mr. ROLPH. Yes; I think so.

The CHAIRMAN. Then I want to ask you if you think the people ought to have had their minds alarmed and their imaginations excited?

Mr. ROLPH. That would depend entirely on how they viewed the newspaper reports of the situation in Cuba, and the situation in regard to the strikes at the refineries.

The CHAIRMAN. I want to read you a statement made on May 20—"above all to create in the minds of the people a certain imaginative alarm, resulting in saving." Do you think that was a good thing to do—to create an imaginative alarm about the 20th of May when these prices were away up on sugar?

Mr. ROLPH. No; I should not think it was.

The CHAIRMAN. I want at this point to put into the record a statement from the Chicago Sunday Herald of May 20, 1917. I am reading from that, but I state that the same statement appeared in all of the papers.

Senator LODGE. An Associated Press dispatch?

The CHAIRMAN. It is a statement, I believe, made before the House Committee, but repeated in the papers. I will put that in now from the papers, and later we will get the House hearings. The statement is:

"The result of three years of turmoil and an enormous accumulation of blundering and experience has been the universal development in every European Government of foodstuffs, munitions, and shipping into administration bodies of equal importance with these other administrative bodies of the Government. That has been found necessary in order to give prestige to these organizations under which they may coöperate with the commercial interests of the country, and to give the prestige with which they may cooperate with the similar developments of the allies. Above all, to create in the minds of the people a certain imaginative alarm resulting in saving, and arising from the very fact that you set up a food control in the country. The fact that it is set up and given wide powers is in itself an advertisement to the people that there is cause for concern."

Mr. ROLPH. Who made that statement, if I may ask?

The CHAIRMAN. Mr. Hoover. I reserve the right to put in the part of the House hearings and to give the context of the statement. Of course a general announcement of an undersupply of sugar is bound to send the market up, is it not, if it is an announcement from a high and authoritative source?

Mr. ROLPH. Yes; I should say it would.

The CHAIRMAN. Then I want to put in, in that connection, a statement made at the hearings which were begun before the Committee on Agriculture on the 7th day of May, 1917. I read from page 381 of part 4 of those hearings:

> Sugar is a question of extreme anxiety because the world has an undersupply of sugar, and we are an importer. Here is a place where we get in the same boat with the allies; that they are very short of sugar, their people are consuming under three-quarters of an ounce of sugar a day, and I presume we are consuming the better part of 6 or 7 ounces. But next year they are taking measures to secure as large a part of the sugar production as they can in their own interests, and if we do not look out and take measures we are going to be forced to reduce our consumption. So that we should have a great deal of cooperation both ways. The sugar production, of course, is demoralized by the cutting off of all the central European sugar production, exports, and so on.

That statement was published broadcast in the country. You remember it, do you not?

Mr. ROLPH. Yes, I do; and I thought it was on that statement that Congress decided to pass the food bill and stop the hoarding.

The CHAIRMAN. This is not a question of hoarding at all.

Senator LODGE. Not a word about hoarding. He says there is an undersupply of sugar.

Mr. ROLPH. I thought the question was if the statement did not encourage hoarding—the way he read it.

The CHAIRMAN. There was nothing said about hoarding; but it would naturally produce hoarding, would it not?

Mr. ROLPH. A statement of that kind?

The CHAIRMAN. Yes.

Mr. ROLPH. A statement of that kind probably would create hoarding, but Congress did the necessary thing in passing the food-control bill to prevent it, to prevent advancing of prices and hoarding.

The CHAIRMAN. Congress did not say a word about prices in this bill, did it, except about wheat?

Mr. ROLPH. It gave the Food Administrator the right to buy and sell certain commodities.

The CHAIRMAN. Yes; to buy and sell wheat.

Mr. ROLPH. It gave him the right to enter into voluntary agreements but no power to fix prices.

The CHAIRMAN. Did it give him power to fix prices on sugar?

Mr. ROLPH. It was designed to stop speculation.

The CHAIRMAN. Did it give him the right to fix prices on sugar?

Mr. ROLPH. Absolutely not.

The CHAIRMAN. Did it give him the right to buy and sell sugar?

Mr. ROLPH. It did not.

The CHAIRMAN. Very well. I read in connection also with the foregoing testimony the further statement of Mr. Hoover in reply to a question of Senator Norris at these same hearings, reading now from page 413:

I might mention next sugar as showing another complication of this problem. From the information I have it seemed to me probable that by the middle of October this country will have exhausted its sugar supply, and its arrivals are not large before the end of December. The outlook for sugar is very poor. The Cuban crop may be down a million and a quarter tons below the 4,000,000 normal, and generally there is a scarcity of sugar in the world, owing to the decrease in beet production all over Europe, and greater demand and greater pull by the allies on such sugar as is available, and they have an equal pull on the Cuban market and other markets with ourselves.

Now, we have to get into relation with the allies as to a fair condition of the market, cease that competition for that sugar as far as we can, and make some arrangements, for instance, for the sailing-ship haulage of Java sugar to this country, so as to release Cuban sugar to Europe. In any event we must take a grip on the stocks of sugar at a very early moment so as to spread the whole of the sugar we have got over a number of months and prevent a serious shortage in the future.

That raises a problem here of taking over all the stocks in some form, probably by voluntary action of all the refiners, by limiting the amount of sales, but with the power behind us, so that if they do not cooperate we may be some weapon.

That is the way it reads—"we may be some weapon;" but that is evidently a misprint and it probably should be "we may have some weapon."

Senator LODGE. Did I understand you to say that he spoke of the Cuban crop as normal, 4,000,000?

The CHAIRMAN. That is the statement of Mr. Hoover; yes.

Mr. ROLPH. It must be a misprint.

The CHAIRMAN. It is actually slightly over the normal this year. It is slightly over 3,000,000. They never had a 4,000,000 crop.

Mr. ROLPH. It is slightly over 3,000,000.

The CHAIRMAN. As a matter of fact, there never was a 4,000,000 crop or anything like it.

Senator LODGE. It never approached a normal of that amount. I can give you the normal.

Mr. ROLPH. It is evidently a misprint, I think.

The CHAIRMAN. I think not.

Senator LODGE. It will be a misprint by to-morrow.

The CHAIRMAN. He states that the Cuban crop would be down or may be down a million and a quarter tons below normal. That did not happen either, did it? How much was the sugar crop of this last year, the year we are just finishing now?

Mr. ROLPH. Three million tons, approximately.

The CHAIRMAN. That is about the average sugar crop—or a little above it—is it not?

Mr. ROLPH. That is about the same as the year before.

The CHAIRMAN. It is, however, above the normal average Cuban sugar crop?

Mr. ROLPH. It has been increasing.

The CHAIRMAN. But when we speak of the normal crop, of course, we mean the crop as it has averaged for a few years, do we not? Was not the crop of last year, the crop just finished, above the average for three or four years previous?

Mr. ROLPH. It was.

The CHAIRMAN. Instead of being a million and a quarter below, it was above.

Senator LODGE. Mr. Chairman, right there I desire to put in these figures to give an idea of the Cuban normal. I take them from Willett & Gray's Weekly Statistical Trade Journal.

Senator VARDAMAN. What date?

Senator LODGE. 1913. I am going back for some years. The Cuban crop for 1913–14 was 2,400,000 tons; for 1912–13, 2,428,537 tons; for 1911–12, 1,859,984 tons. I have 1915–16. For 1915–16 it was 3,007,915 tons, and for 1916–17, 3,023,720 tons. 1917–18 is the crop just concluded.

Senator VARDAMAN. That is speculative?

Senator LODGE. No; it is the one just over 3,200,000 tons.

The CHAIRMAN. It is 400,000 here.

Senator LODGE. That is not next year. That is the crop that has already been bought and sold, and it shows exactly what I knew, as a matter of fact, that the crop this year was slightly larger than any crop they had ever produced.

The CHAIRMAN. So that instead of being down a million and a quarter tons, it was above the normal.

Senator LODGE. That unfortunate misprint of 4,000,000 tons went out to the country, and I think it has never been corrected until this moment.

Senator JONES. I am informed that it did not go out to the country.

Senator LODGE. It was printed in a Senate document, and I admit that that does not go out to the country.

Senator JONES. I am informed that that particular document was, by special request, withheld from the public.

Senator LODGE. But was the misprint corrected at the time, Senator?

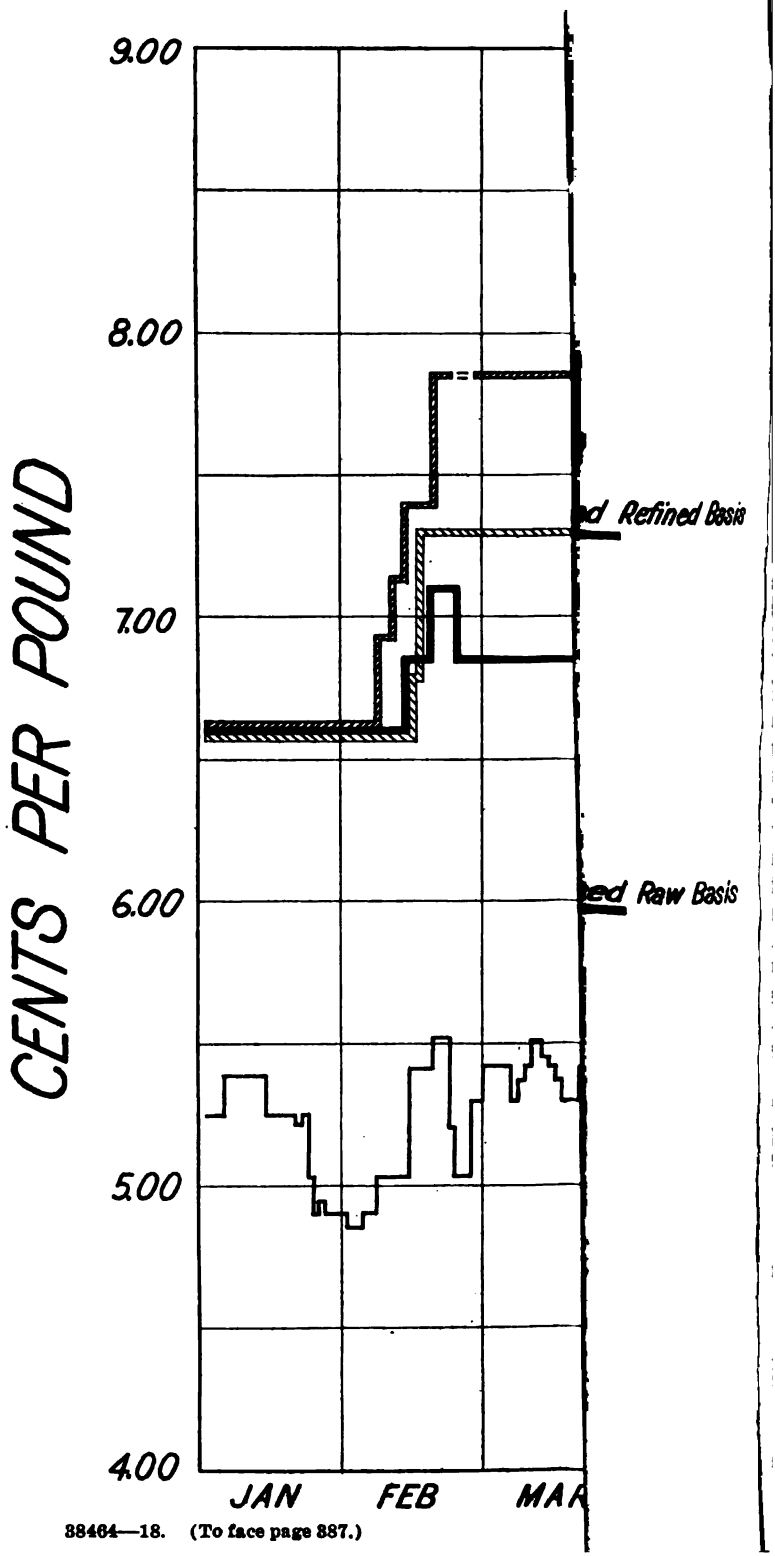
Senator JONES. I do not know anything about that misprint.

Senator KENYON. I was on the committee and heard that testimony, but of course I do not remember as to that; but I know there was something said about not sending the figures out.

The CHAIRMAN. I was present at part of this hearing.

Senator KENYON. Not at that time. It was in the committee room a few days after Mr. Hoover had returned from abroad.

The CHAIRMAN. If it is necessary to trace it up, I shall show the substance of all of it was in the newspapers at that time, and the country was flooded with it, not only flooded with it, but flooded with voluntary statements to substantially the same effect. There is a statement made here about arrangements for sailing ships for haulage from Java. That, of course, did not take place to any extent.



38464—18. (To face page 887.)

Mr. ROLPH. What time are you speaking about?

The CHAIRMAN. This statement is made early in the month of May, and I say there have been no arrangements made for getting the Java sugars to the market.

Mr. ROLPH. I am not at all familiar with that subject.

Senator LODGE. Mr. Babst testified they were practically inaccessible.

Senator VARDAMAN. You are not in any way responsible for what Mr. Hoover said about this, are you?

Mr. ROLPH. Not at all.

The CHAIRMAN. Oh, no; I do not claim that he is responsible for it.

Mr. ROLPH. And I am not a lawyer, and I do not know just how to answer these questions. I want it understood that some of these questions——

Senator VARDAMAN. The best way for you to answer is to tell what you know and nothing else.

Mr. ROLPH. I mean that certain questions are put to me in the way of a statement.

The CHAIRMAN. I want to ask one further question about this plat—and we have referred to "this plat" all morning, and I wish we could have it identified now so that we will know what we have been talking about. Let this be marked Exhibit Rolph No. 3½.

(The chart referred to was marked "Exhibit No. 66½, Rolph No. 3½.")

The CHAIRMAN. I notice in this top red line, which is supposed to be the crimson course of the Spreckels factory, that there are a lot of dotted lines indicating breaks. What is the reason that those lines are dotted?

Mr. ROLPH. The reason for the dotted lines is that they were withdrawn from the market at that time.

The CHAIRMAN. And being withdrawn you kept the dotted lines out, the high point, I suppose, to indicate that that is where they would have been if they could have been anywhere?

Mr. ROLPH. The chances are they took orders at these prices here and were delivering the sugars at these prices during that period.

The CHAIRMAN. "The chances are"?

Mr. ROLPH. Backing the market.

The CHAIRMAN. The chances are they took orders at what prices?

Mr. ROLPH. At these prices here.

The CHAIRMAN. And were delivering during that period at those high prices—the dotted lines where they were withdrawn from the market? Do you say that?

Mr. ROLPH. What is that?

The CHAIRMAN. Do you say that that is a fact, that they did that?

Mr. ROLPH. I say that that is exactly what happened here in my own case, and I have no reason to doubt that that happened in that case.

The CHAIRMAN. What happened in your case?

Mr. ROLPH. In this case we were over 20,000 tons of sugar oversold and delivered it at that price.

The CHAIRMAN. Delivered it on the lower price?

Mr. ROLPH. Yes.

The CHAIRMAN. You were oversold at what price?

Mr. ROLPH. At this price and that price.

The CHAIRMAN. You oversold at the lower price, and you delivered it at the higher price?

Mr. ROLPH. We were oversold at this price; yes.

The CHAIRMAN. Did you deliver at the same price that you were oversold at?

Mr. ROLPH. Certainly, we delivered at the oversold price.

The CHAIRMAN. You say the chances are that he did that?

Mr. ROLPH. I say from this chart he did it.

Senator LODGE. Who made the chart?

Mr. ROLPH. This chart was made by Dr. Pearl, the statistician of the Food Administration, and checked by Willett & Gray.

The CHAIRMAN. What you have said about this—so that there will be no mistake about it, because it impugns, I think, the honesty of a man, is purely a matter of inference—that he sold these sugars at a lower price, and being oversold he then proceeded to feed them out to his customers at a higher price, and that that is what that dotted line indicates?

Mr. ROLPH. It does not indicate that to me. It indicates that he had sold a large amount of sugar at this price and was delivering it during the period it was withdrawn.

The CHAIRMAN. That is a matter of inference. That is all you gather from this map. You do not know the facts yourself.

Mr. ROLPH. It is a matter of custom.

The CHAIRMAN. I am asking you if you know the facts. You say that Mr. Spreckels did that?

Mr. ROLPH. No; I do not know that.

The CHAIRMAN. That is what I want you to say.

Mr. ROLPH. I would have to investigate his books to find out, and that is easily ascertained.

The CHAIRMAN. As a matter of fact, while this heavy black line here, which is made by the statistician of the Food Administration and which indicates the sales of the American Sugar Refining Co., appears to be a continuous line, did they or did they not supply the trade, or did they supply only in limited quantities?

Mr. ROLPH. They supplied, according to a statement, 1,474,267 tons.

The CHAIRMAN. During what period?

Mr. ROLPH. During the period of the year.

The CHAIRMAN. During the whole year?

Mr. ROLPH. Yes.

The CHAIRMAN. But that still does not answer the question.

Mr. ROLPH. The Federal Sugar Refining Co., 325,000 tons.

The CHAIRMAN. Just a moment. Let us stick to this one. The question I am asking you is not how much they supplied for the year, but whether there were not periods when they were only supplying a part of their customers, just as Mr. Spreckels or others might have been, limiting their sales.

Mr. ROLPH. There was no question that the demands upon them were extremely excessive on the part of every refiner, practically every refiner being above them, but they sold practically their normal quantity of sugar. In 1915 they sold 1,466,321 tons; in 1916 they sold 1,574,213 tons; in 1917 they sold 1,474,267 tons. The figures for 1917 are not complete. During the same period——

The CHAIRMAN. Nineteen hundred and seventeen is what I am interested in.

Mr. ROLPH. It is approximately correct. These are the figures rendered to the Food Administration about October 1, showing the capacities for the years 1913, 1914, 1915, and 1916, and the estimated meltings and sales for 1917.

The CHAIRMAN. That is the capacity melts or the actual melts?

Mr. ROLPH. The capacity of the refinery and the actual melts for this year.

The CHAIRMAN. Give us the actual melts for 1917.

Mr. ROLPH. I say with an estimate for 1917, actual figures to the 1st of October, and estimate for what they were going to do for the balance of the year.

The CHAIRMAN. What did they do up to the 1st of October?

Mr. ROLPH. I have not got those figures.

Senator LODGE. That is an estimate for three months, that is all.

The CHAIRMAN. From October on is estimated?

Mr. ROLPH. Yes.

The CHAIRMAN. But you can give it to October?

Mr. ROLPH. No.

The CHAIRMAN. Then the figures, of course, are useless. Just one further question. Take the blue line on this chart, "Exhibit Rolph 3," the heavy blue line that is nearest the top. What is that?

Mr. ROLPH. That is the selling price of the C. & H. Co.—the California & Hawaiian Sugar Refining Co.

The CHAIRMAN. That is your own company?

Mr. ROLPH. Yes—not my company.

The CHAIRMAN. The company you are connected with?

Mr. ROLPH. Yes.

The CHAIRMAN. I did not mean that you owned it.

Mr. ROLPH. I wish I did.

The CHAIRMAN. I wish I might congratulate you upon that fact, but I am sure you will not take any offense and it will not when I say "your company." This is my country, but I do not own it. It appears that you kept right along with the Sugar Trust figures going up as they went up. When they reached their highest point in September, you reached that with them.

Mr. ROLPH. That chart shows my prices did not conform to the trust prices, but were quite different.

The CHAIRMAN. But at the point here for August and September, which is the high point of the blue line, you were right up with the Sugar Trust during that period.

Mr. ROLPH. Yes; we were.

The CHAIRMAN. And, then, you dropped your line in October, November, and December.

Mr. ROLPH. Dropped it on the 1st of October.

The CHAIRMAN. The Sugar Trust did not drop its?

Mr. ROLPH. No other refinery in the country except the Western Sugar Refining Co. dropped.

The CHAIRMAN. Let us see how you dropped. Was it a matter of differential in rates?

Mr. ROLPH. A matter of differential in rates? I do not know just what you mean.

The CHAIRMAN. Was not this drop that you made simply a question of difference in freight rates between you?

Mr. ROLPH. Positively no. It was an actual drop in our price of sugar from 8.35 to 7.25, less 2 per cent in each case.

The CHAIRMAN. The others kept up to 8.35?

Mr. ROLPH. It was 8.45, I think, to 7.25.

The CHAIRMAN. Now, I want to ask you, I think, just one further question. When you talked to Mr. Spreckels about letting him have some raw sugars how many raw sugars did you talk to him about giving him?

Mr. ROLPH. You mean at the meeting?

The CHAIRMAN. At any time.

Mr. ROLPH. I said I would duplicate Mr. Earl's offer.

The CHAIRMAN. Yes; that is the offer you made to him?

Mr. ROLPH. I think that is the way I made it.

The CHAIRMAN. Mr. Earl's offer was what?

Mr. ROLPH. I do not remember what it was. I think it was the balance of his contract for this year.

The CHAIRMAN. How would that have gotten any more sugars for Mr. Spreckels in this part of the country?

Mr. ROLPH. Mr. Spreckels would not buy it because he would not take the chance on it, because it looked as though it meant a bad loss at that time.

The CHAIRMAN. Did he give you that reason?

Mr. ROLPH. No; there was nothing said about it.

The CHAIRMAN. What sugars were you talking about there? Let us get down to business. You say that the proprietor of the Pennsylvania refinery offered Mr. Spreckels the balance of his contract for this year, and you said you would duplicate the offer. What year were you talking about?

Mr. ROLPH. I can not testify to that transaction very fully, because it was a pleasantry on my part across the table. Mr. Spreckels had been objecting to Mr. Earl buying Hawaiian sugars at 10 cents under the market. Mr. Earl came to Mr. Spreckels, and he said: "If you think that is such a fine contract, you take it over; you take it off my hands. I will give it to you now."

The CHAIRMAN. "For the balance of the year." That is what you said a moment ago, is it not?

Mr. ROLPH. I took it for granted it was Mr. Earl's contract for the balance of the year.

The CHAIRMAN. Of the year?

Mr. ROLPH. Yes.

The CHAIRMAN. That is, now, the year that is now practically ended?

Mr. ROLPH. Yes.

The CHAIRMAN. So that while you said yesterday you did not know whether it applied to the old sugar or the new sugar, you are now pretty clear it was to the old sugars?

Mr. ROLPH. I thought Mr. Earl offered to turn over his contract to him.

The CHAIRMAN. For all time?

Mr. ROLPH. Yes; I think so. I am not clear about that.

The CHAIRMAN. When did that thought come to you? You did not have it a moment ago.

Mr. ROLPH. I am not sure as to that transaction. It was a pleasantry across the table.

The CHAIRMAN. We will not spend any more time about it under those circumstances.

Now, you could not give us the average price of sugar before, we will say, the 7th day of May, retail and wholesale, could you? Could you have those figures prepared for us?

Mr. ROLPH. Yes. For 1917?

The CHAIRMAN. Now, I mean the average price per pound, not the price from day to day, which is quite a different thing from the average price per pound, because there may be more pounds sold at one price than another. Can you give us that average price up to the day that the food-control bill passed?

Then give us the average price since the food-control bill passed.

Mr. ROLPH. In reference to those figures which you have asked for, Senator Reed, the question of price is very difficult to determine, because it is different in all different parts of the country; and it depends upon whose price is taken. It is impossible, unless you take some definite point.

The CHAIRMAN. Do you mean some definite refiner?

Mr. ROLPH. No—yes; some definite refiner's place and some definite city or town.

The CHAIRMAN. Wholesale prices of sugar——

Mr. ROLPH. We can give you——

The CHAIRMAN. Have been substantially the same. We will take New York prices?

Mr. ROLPH. Well, whose price shall I take?

The CHAIRMAN. I think that you would prefer to take the price of the American Sugar Refining Co.?

Mr. ROLPH. No; I would not. Every refiner had different prices during the year 1917.

The CHAIRMAN. They were not very far apart.

Mr. ROLPH. The margins fluctuated between 1.30 and 2.20.

The CHAIRMAN. Exactly; but I think you know that the fellow that got up to 2.30 did not sell; he quit selling, except possibly during a period of an absolute famine, and after the famine came on the board was in control.

Mr. ROLPH. Willet & Gray report that the Federal—I give this just as an illustration—was selling at 9 cents foreign when they had their quotations on this chart at 8.60.

The CHAIRMAN. Suppose we take the one concern that always does business honestly, and that is now represented upon this board with you—the American Sugar Refining Co.—and take their prices, which you say were the lowest that there were, and take that price as the standard; and then tell me the average prices of refined sugar for these different periods, and then tell me the average prices of raw sugar for these periods; and when I say raw sugars, I will say raw Cuban sugars, so that we can limit it to one variety and get a comparison.

Mr. ROLPH. May I make one statement in regard to that contract which I handed you yesterday—the beet-sugar contract?

The CHAIRMAN. Yes.

Mr. ROLPH. You understand that that 7.25 referred to in that contract is a maximum price beyond which they can not go? You

do not understand that that is a fixed price? You understand that if there were large quantities of sugar here to-day the competition between them would be just as keen as it ever was and the price would seek its natural level, because it has been generally understood that that was a fixed price of 7.25. It is not. It is a maximum.

The CHAIRMAN. If that is true, and they go to cutting each other's throats in that way and throwing sugar on the market cheap, what becomes of the conservation? I thought you were stabilizing prices. I have heard a good deal about your stabilizing prices. What does that mean?

Mr. ROLPH. It means that a stabilized price, if it is shown on a chart, will show a straight line instead of all these lines that you see here on these charts that have been presented at this hearing. You will find a price line that runs straight across, and then the refiner's margin fixed above that, at 1.30, but with their option of competition; and, cutting that down, the fluctuation will be very small; then the margin of the jobber above that, with a maximum profit of, say, 25 cents; and then a margin for retailers, which can only be maintained through judging as to what a fair price for the retailer is, will fix in time, or will give to the consumer an idea of what is a fair price that he should pay for sugar in every little hamlet and village throughout this country, and it will absolutely eliminate all speculation and all profiteering.

The CHAIRMAN. Let us see. You propose a stabilized price, to approximate as near as you can? A stabilized price means one price, does it not?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Well, then, if you have got a stabilized price, and that stabilized price is one price, why is it not a maximum and a minimum, both at the same time?

Mr. ROLPH. Because I do not think that it can be maintained. It might be broken.

The CHAIRMAN. If it is broken—and the minute it is broken the element of speculation is introduced, is it not?

Mr. ROLPH. Yes.

The CHAIRMAN. So that if we are going to have stabilized prices, and have them a success, it means that to all intents and purposes we are to have one price? Now, that is the intent and purpose, too, is it not?

Mr. ROLPH. Not the intent and purpose of these contracts.

The CHAIRMAN. But I am talking about the thing that you intend to work out by virtue of these contracts. It is utterly useless, Mr. Rolph, it seems to me—and I say this with all respect—to say that you are going to have stabilized prices, that that is the object that is to be desired and accomplished, and that stabilized prices means a straight line of prices throughout the year, and then at the same time to say that this stabilized price is to be a maximum price and everybody is at perfect liberty, not only by contract but under the conditions created, to go as far below as he desires to.

Mr. ROLPH. There is no question about the beet people being able to go below.

The CHAIRMAN. Exactly. The beet people could go below it; anybody can go below it; but the minute he does go below it he breaks the stabilization to that extent. That is true, is it not?

Mr. ROLPH. Yes.

The CHAIRMAN. Now, what incentive is there for a man to go below it if he knows there is not a great surplus of sugar in the United States; that the sugar price is fixed at a certain figure, beyond which it can not go, and that the market ultimately must come to him?

Mr. ROLPH. The fact that since these contracts were entered into this price has been maintained at the maximum indicates that there is a shortage of sugar.

The CHAIRMAN. Exactly; but that is not what I am after. Now of course if there is a surplus of sugar in the world you do not need any price regulation at all, do you?

Mr. ROLPH. If there is a surplus?

The CHAIRMAN. Yes; a surplus of accessible sugar in the world; you do not need to put any maximum price on, because the law of supply and demand will regulate that. That is true, is it not?

Senator LODGE. It will carry it down.

The CHAIRMAN. And will carry the price down?

Mr. ROLPH. If there is a surplus and it is available; yes.

The CHAIRMAN. Now, if there is no surplus available, then any man owning sugar, under the present conditions, knows that if he holds it he is bound to get his $7.25, does he not?

Mr. ROLPH. If there is no surplus; yes.

The CHAIRMAN. If there is a surplus you are an unnecessary incumbrance, and your fixing of these prices would tend to fix a high price on the consumer. If there is a shortage, or only enough to supply the market, then every sugar man in the country knows today that by simply sitting back and holding onto his sugar he will get the full price of $7.25; and that is what you call stabilization?

Mr. ROLPH. The fact that he is getting $7.25 shows that there is a shortage of sugar——

The CHAIRMAN. Well, that is not the question.

Mr. ROLPH (continuing). And shows that the control was needed.

The CHAIRMAN. No; it does not show that there is a shortage of sugar, because let me tell you what you have done, if you want to argue it. For many years the sugar refiners of this country—the most of them—sought to get under one organization and to fix prices, and all the trust legislation of the country has been aimed against that sort of thing. Now all these men are brought into a room and they sign an agreement by the terms of which they agree that they will not buy any sugar except through one source. That source is sufficiently powerful to control the sugar supply of the world. Then they agree that they will not take down more than a certain price for their work of refining. They are thereby put into absolute control of the whole situation much more completely than they ever were or could have been under any trust arrangement in the world. Now, that is what you have worked out here, is it not?

Mr. ROLPH. That matter was placed entirely, in every detail, before the Attorney General of the United States and passed on by him and approved by him as an advisable and necessary thing under these conditions.

The CHAIRMAN. That is to say, the Attorney General of the United States said that there was nothing in the trust laws that would make

it impossible for an international commission to be organized, and for that international commission to control the sugar supply. That is the key to this whole situation, is it not?

Mr. ROLPH. And he also passed on the beet organization, which is not international.

The CHAIRMAN. Now, since you were going to control the supply of sugar, why did you not do this: Why did you not buy these Cuban sugars or contract for these Cuban sugars, the part that was to come to America, and then say to these refiners: "The man that will refine this sugar cheapest and give it to the American people the cheapest will have the sugar supplied him," instead of getting these men into a room and agreeing with them on a good, fat profit and undertaking to fix a stabilized price?

Mr. ROLPH. Mr. Spreckels did not agree on that good, fat profit.

The CHAIRMAN. Mr. Spreckels is not my man. I never saw him until this hearing began. I do not know him any better than I know you. I am not asking about agreements with these refiners. You were given the power, or at least undertook the power, of controlling the Cuban sugar supply—the sugar supply of the world. These men were all obliged to take out licenses if they did business. They had to take those licenses on the terms and conditions you people fixed. Now, why did you not go and contract these Cuban sugars at the best price you could in connection with the English commissioners, and then say to these sugar refiners: "Now, the sugar is under contract. What are the best terms each of you will offer to furnish this sugar refined to the American people?"

Mr. ROLPH. I did not have that power that you state; and as to the arrangement with the refiners, acting in my official capacity, I consider that it was very much more desirable to have a uniform margin agreed to voluntarily with them than to have this bidding that you refer to, because some refiners would have had it all, and others none at all.

The CHAIRMAN. If some of the refiners would have had it all, it would have had to be because they put a price so low that the other refiners would not meet it. Is not that true?

Mr. ROLPH. Well——

The CHAIRMAN. Is not that true—inevitably true?

Mr. ROLPH. The difference, the margin, is so small, $1.30, based on the cost of refining, that it could not have amounted to very much, and it was a fair and equitable distribution of the sugar to all refiners.

The CHAIRMAN. Oh, yes. You got the refiners together, you got Mr. Spreckels, you got the Sugar Trust, you got all the allies of the Sugar Trust, you got all the independent refiners together, and you represented your own company there——

Mr. ROLPH. No; I beg leave to differ with you.

The CHAIRMAN. Who did represent your own company?

Mr. ROLPH. Mr. Andrew Brown.

The CHAIRMAN. All right. Mr. Brown represented your own company, and you agreed among the refiners and yourselves what the refiners' profits were to be.

Mr. ROLPH. No; I did not.

The CHAIRMAN. Well, who did agree on it?

Mr. ROLPH. They agreed.

The CHAIRMAN. The refiners agreed?

Mr. ROLPH. Yes; on a maximum margin.

The CHAIRMAN. Did you have anything to do with fixing that maximum?

Mr. ROLPH. I was there present, and after they had agreed as to what they would do I submitted it to Mr. Hoover and asked if it was agreeable to enter into a contract on that basis.

The CHAIRMAN. And it was approved on that basis?

Mr. ROLPH. Yes.

The CHAIRMAN. So that the refiners themselves fixed the amount of toll they were to charge the trade or the American people, and you people afterward approved it?

Mr. ROLPH. It was a voluntary agreement on a maximum price.

The CHAIRMAN. Certainly.

Mr. ROLPH. And they have the same opportunity to compete; any refiner who wants to make a price lower than $1.30 is absolutely free to do it.

The CHAIRMAN. Oh, yes; we have been all over that. There is no reason for him to do it.

Mr. ROLPH. Why not?

The CHAIRMAN. The refiners got together, and the refiners agreed among themselves what toll they were going to charge for the grist that went through their mills, and there was not a single human being there at that time to represent the consuming American people, was there?

Mr. ROLPH. Yes; I did.

The CHAIRMAN. You did?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. Why, you have just said you had nothing to do with it; you did not take any part in it.

Mr. ROLPH. I got their decision as to what they were willing to do.

The CHAIRMAN. You got their decision?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. And you approved their decision. Now, I am talking about the time when the refiners were there fixing their own prices, negotiating with each other. Did you say to them, "You can not go above a certain figure"?

Mr. ROLPH. I tried to.

The CHAIRMAN. Did you say, in substance and effect, "You can not go above a certain figure?"

Mr. ROLPH. Yes; I did.

The CHAIRMAN. Then you had something to do with fixing this price, did you not?

Mr. ROLPH. No; I told them that I did not think any agreement that they would submit that carried with it a margin of over so much would be accepted by the Food Administration.

The CHAIRMAN. Do you not think that was having something to do, or was it not, with the fixing of the price?

Senator VARDAMAN. What would have been the effect if those people had not accepted your suggestion and acted upon it, if it had not been agreeable to the Food Administration?

Mr. ROLPH. Why, then there would have been no contract entered into.

Senator VARDAMAN. There would have been no license granted, you mean?

Mr. ROLPH. Yes; there would have been a license granted, and then it would have become necessary for the Food Administrator to have regulated profits, which is a very difficult thing to do, and which would have meant chaos throughout the entire country by having as many different prices as there were different refineries or beet factories.

The CHAIRMAN. Was that the only alternative?

Mr. ROLPH. That was the only alternative that I knew of.

The CHAIRMAN. Suppose you had allowed the business to go on as it had gone on in previous years, when there never was a shortage of sugar in the history of the American Republic, a real shortage—that would have been another alternative, would it not?

Mr. ROLPH. Well, of course you make that statement. I want to say that you have got to take conditions into consideration.

The CHAIRMAN. Oh, certainly.

Mr. ROLPH. We never have had such a war in the history of the American Nation.

The CHAIRMAN. Oh, yes; we had this war from the 2d day of August, 1914.

Mr. ROLPH. You have not had Europe pulling on this country to the same extent that it has been in the last few years and to the greater extent that it is going to pull on this country next year and the year following, if this war keeps on.

The CHAIRMAN. Let us see. The European war began about the 2d day of August, 1914?

Mr. ROLPH. Yes.

The CHAIRMAN. The sugar crop of that year had not yet been harvested, had it, and reached the market?

Mr. ROLPH. August? Yes; a very large part of it had.

The CHAIRMAN. Beet sugars had not reached the market, had they?

Mr. ROLPH. Beet sugars?

The CHAIRMAN. From August, 1914, up to the month of August, 1915, constitutes a sugar year?

Mr. ROLPH. Yes.

The CHAIRMAN. And prices during that time, with a less crop than we have now, and a less crop than we had last year, had not been at all exorbitant, had they, and there had been no sugar shortage? I do not care about the price; there had been no sugar shortage in this country?

Mr. ROLPH. No; but a very large part of the available sugar of the world had been locked up in the central powers in that time.

The CHAIRMAN. Exactly. It was locked up in the central powers at that time and has been ever since?

Mr. ROLPH. Yes.

The CHAIRMAN. From the 2d day of August on it was locked up, and yet there was no sugar shortage in this country?

Mr. ROLPH. There has been a decrease in the world's production of practically something over 2,800,000 tons.

The CHAIRMAN. Do you mean, now, by taking out the Germanic powers?

Mr. ROLPH. No; I mean——

The CHAIRMAN. Where was the decrease? We are getting off int detail. There ought not to be any question between you and me abo the fact that in 1914—all the figures are in now about the sug supplies—and for 1915 and for 1916, three years of European wa there had not been any sugar shortage in this country. Now, that the fact, is it not?

Senator KENYON. What is the use of going over them again if the are in? Can you not just draw the conclusion? We want to g through with this witness some time.

The CHAIRMAN. The figures are in. I am trying to get a concl sion from the witness. Is it not a fact that for 1914, 1915, and 191 three years of the war, there was no sugar famine in the Unite States?

Mr. ROLPH. We used just what we consumed.

The CHAIRMAN. Just answer whether there was a sugar famine.

Mr. ROLPH. There was no sugar famine.

The CHAIRMAN. Yes. There was no sugar famine in the Unite States until what time—real famine?

Mr. ROLPH. Until November of this year.

The CHAIRMAN. Yes; and prior to that time the sugar contract had been made—the contracts between the refiners, to which yo refer; about the 1st of October?

Mr. ROLPH. That had nothing to do with the supply of sugar.

The CHAIRMAN. I am asking you about the fact. That is the fac is it not?

Mr. ROLPH. The making of those contracts had nothing to do wit the location of sugar.

The CHAIRMAN. No; but is it not a fact that the contracts had bee made about a month before the sugar famine came?

Mr. ROLPH. Yes; yes.

Senator LODGE. I should like to ask a question there, if I may, if will not interrupt you.

The CHAIRMAN. Certainly.

Senator LODGE. You said, Mr. Rolph, that you fixed $7.15, whic was a voluntary arrangement made by the beet-sugar factories.

Mr. ROLPH. $7.25, less 2 per cent.

Senator LODGE. Well, $7.25, less 2 per cent. That was thought t be fair to the factories?

Mr. ROLPH. Yes, sir.

Senator LODGE. Why did you advance the price of beet sugar i Boston to $8.15?

Mr. ROLPH. Because it would have been impossible to have allowe that difference to get to the consumer; and after consulting with M James H. Post, chairman of the American Refiners' Committee, i New York, and then securing the consent of Mr. Hoover, I authorize the sale of that sugar at $8.15, because it was the equivalent of th Louisiana price of the sugar that was then coming into the Bosto market. If that sugar had been sold at $7.25, it would have been im possible to get it to the consumer, and it would have caused more o less disturbance among the retail trade, because one retailer on on side of the street would have sugar at $7.25, and the retailer on th opposite side of the street would have sugar at $8.15.

Senator LODGE. Why would it have been impossible to get it to the nsumer?
Mr. ROLPH. Because there was no control over the retail trade, and e administrators in the various States, particularly in New York, d fixed maximum prices for the retailers, and they were charging ose prices.
Senator LODGE. Exactly.
The CHAIRMAN. Who had fixed them? Pardon me, I did not get it. Who had fixed the maximum prices for the retailers?
Mr. ROLPH. So far as New York was concerned, the commissioner ere in New York, Dr. Moscovitch. I do not know what his official sition is.
The CHAIRMAN. Is that one of the reasons that you now assign hy you could not send the sugar in?
Mr. ROLPH. Why I could not send it in?
Senator LODGE. Oh, no. They sent the sugar in, but they gave the et-sugar men a cent more, in round numbers—not quite—and I derstand it was because it was impossible to get it to the consumer. ow, that advance was made in order to maintain the relation between the Louisiana cane and the beet sugar, was it not?
Mr. ROLPH. The first Louisiana sugars were just coming into ston.
Senator LODGE. I know that; but was not that done to keep the ation between them?
Mr. ROLPH. Yes, sir; it was to eliminate too many prices.
Senator LODGE. Yes. Well, then, the beet-sugar price is maintained a level with the Louisiana cane, and that with the Cuban cane, it not?
Mr. ROLPH. No; the Cuban price is $8.35.
Senator LODGE. Well, you brought it up nearly to the Cuban price. as not the effect to keep the three prices on a level?
Mr. ROLPH. As nearly as possible.
Senator VARDAMAN. The effect of that, Mr. Rolph, would have been ndvantageous to everybody except the consumer.
Mr. ROLPH. Yes. It was impossible to get it——
Senator JONES. And by increasing the price of beet sugar in the lantic coast market it would have had a tendency to increase the pply of sugar in the Atlantic coast country; would it not?
Mr. ROLPH. There is no question about it.
Senator JONES. And that action had a direct tendency to relieve s shortage up in Massachusetts?
Mr. ROLPH. Yes.
Senator LODGE. I think Senator Jones does not quite understand nat happened. There was 100,000 tons of beet sugar arranged to ne to Massachusetts or New England at $7.15 or $7.25, and that s widely heralded and given out from here. After that sugar was its way into New England, the price was raised to $8.15, so that ey could sell at the same price as the Louisiana cane which was en being manufactured in one of the American Sugar Refining .'s refineries near Boston.
Senator JONES. Was the $8.15 price limited to that 100,000 tons?
Senator LODGE. It was limited to New England—limited to that ea.

Mr. ROLPH. One hundred thousand bags.
Senator LODGE. Well, whatever it was.
Senator JONES. Was the price of $8.15 limited t
Senator LODGE. It was limited to New Englan
has since been extended to New York.
Senator JONES. But it did not apply solely to th
Senator LODGE. Yes; it applied to all the beet
Senator JONES. And which might come in?
Senator LODGE. Well, no more came in. No m
It raised the price of beet sugar to the inhabitan
nearly a cent. That is what happened.
Senator JONES. I will ask if it would not ap
Michigan sugar which we have heard of here
transportation?
Senator LODGE. I suppose it would have appli
do not know that this was not Michigan sugar th
Mr. ROLPH. It was California sugar.
Senator LODGE. It would have applied to all be
into New England. That is, the difficulty was s
beet sugar people nearly a cent more.
Senator JONES. The point that I was trying to
or not, in addition to the thing that you have no
also have had a tendency to increase the supply
New England market.
Senator LODGE. It would have, certainly, if we
by the law of supply and demand, and had had
we did not have a free market.
Senator JONES. Did you not have a free market
was concerned?
Senator LODGE. We did not.
Senator JONES. Do you know of any limitation
where a beet-sugar man might sell his beet sugar?
Senator LODGE. It was being distributed under
Food Administration.
Senator JONES. I have not so understood that
tration designated the markets in which beet sugar
Senator LODGE. We were assured in New Engla
Food Administration was going to relieve the sit
ing this 100,000 bags—or 100,000 tons, or whateve
into New England.
Senator JONES. Evidently, from what has appe
to send additional beet sugars in there.
Senator LODGE. I do not know whether they di
Mr. ROLPH. We tried to get beet sugars shipp
embargoes placed on it by several of the railroads
succeed in having the embargoes raised. There
and some-odd cars tied up in embargoes of beet su
The CHAIRMAN. Where?
Mr. ROLPH. I do not know exactly where; some
and Michigan, and New York and the New En
were struggling with a problem of trying to supp
sugar, from the producing centers in the West to
almost impossible to ship sugar through famine

beyond where there were famine districts. We had hoped to relieve the New England situation, earlier than it was relieved, by shipments from New Orleans of Louisiana sugars. But the Louisiana crop was somewhat late. They had a freeze which delayed the whole arrangement.

Senator LODGE. Without regard to those details, you were endeavoring to improve the distribution so as to relieve the scarcity in certain places?

Mr. ROLPH. I was.

Senator LODGE. Have you saved nothing by conservation?

Mr. ROLPH. I think there has been a considerable saving by conservation. You are asking for my opinion? There are no facts.

Senator LODGE. There are no facts?

Mr. ROLPH. No.

Senator LODGE. But you think there was a considerable saving by conservation?

Mr. ROLPH. I think there was. I think it is more than offset by increased consumption. There is no doubt that a very large amount of sugar was used for preserving this year, more than was used before.

Senator LODGE. Yes; we have heard about that.

Mr. ROLPH. And I think there has been more of an increase on account of prohibition in prohibition States. The number of soldiers who have been using gums, candies, and soft drinks throughout the entire year, I think, has made an appreciable difference, and I think it will continue to do so.

Senator LODGE. Then the net result of conservation was nothing?

Mr. ROLPH. There has been substituted by legislation throughout the country another use for sugar that formerly did not exist in that way.

Senator VARDAMAN. You really think the scarcity of liquor drives people to sugar?

Mr. ROLPH. I think there is no doubt about that.

The CHAIRMAN. This prohibition business has some frightful results attached to it.

Mr. ROLPH. May I make a statement just to correct some figures given on yesterday?

The CHAIRMAN. Certainly.

Mr. ROLPH. It was testified to here yesterday that the consumption represented about one-third direct and two-thirds through manufacturing sources.

Senator LODGE. It was testified just the other way.

Mr. ROLPH. Two-thirds direct?

Senator LODGE. Two-thirds individual consumption and one-third manufacturing.

Mr. ROLPH. I think the figures should be reversed. I think that it is one-third direct and two-thirds in manufactures.

Senator LODGE. That would not affect the result of the net conservation materially?

Mr. ROLPH. No; but in line with the testimony that was given, in view of the 3 pounds per capita per month, really it is the same equivalent as it is now.

Senator KENYON. The people have not responded to this request of the Food Administration to stop using so much sugar, have they?

Mr. ROLPH. I think they have.

Senator KENYON. You think they have?

Mr. ROLPH. I think there has been a conservation in all things.

The CHAIRMAN. You think there has been a conservation in all things, and you think the only extra way that sugar was used was the good women of the country putting it up in their preserves and jams, and those will come back on the table and be a source of saving hereafter, will they not?

Mr. ROLPH. Yes.

The CHAIRMAN. And then you think that cutting off alcohol from the soldiers has driven some of them to chewing gum, and things of that sort?

Mr. ROLPH. Candies, ice cream sodas, soft drinks of all kinds, and chocolates.

The CHAIRMAN. While we had this sugar famine, and while you have been asking everybody to conserve sugars. did you cut down the sugars to the candy makers and people of that kind?

Mr. ROLPH. We have tried to cut the deliveries of sugar——

The CHAIRMAN. Have you done it?

Mr. ROLPH. Yes; to the best of our ability.

The CHAIRMAN. How much have you saved that way?

Mr. ROLPH. I have no figures.

The CHAIRMAN. Have you any idea?

Mr. ROLPH. I think it is considerable.

The CHAIRMAN. "Considerable," when talking about sugar, of course, is very indefinite; could you be any more definite than that?

Mr. ROLPH. No; I can not.

The CHAIRMAN. Anyway, notwithstanding all your efforts, we got up to a famine. I want to ask you now about this one matter. I have here a table that I want to put in. I wired five or six of the principal sugar companies as to their supplies. The telegram I sent generally was this:

EXHIBIT No. 08.

WASHINGTON, D. C., *December 15, 1917.*

WESTERN SUGAR REFINING CO.,
San Francisco, Cal.:

The Senate Committee on Manufactures has under investigation the cause of the sugar shortage and therefore asks that you telegraph immediately number of tons Hawaiian raws your warehouses California September 1, number of tons since received, number of tons refined, and quantity of raw and refined on hand December 15; also state number of cars distributed Missouri River territory, number of cars Chicago, and number of cars east of Chicago. Stipulate highest and lowest basis price territory described this period, also present basis price.

JAMES A. REED, *Chairman.*

Government business.

Similar telegrams—not all identical—were sent to these different companies. I will read the answer to the one I sent, forwarded by the Western Sugar Refining Co., which is as follows:

EXHIBIT No. 09.

SAN FRANCISCO, CAL., *December 17, 1917.*

JAMES A. REED,
Chairman Senate Committee on Manufactures, Washington, D. C.:

Raws on hand September 1, including Hawaiian and Philippine centrifugals and low-grade Manilas, 23,195 tons. Arrived since September 1, to and including December 14, 37,000 tons. Raws refined same period, 48,902 tons.

Raws on hand opening business December 15, 11,377 tons; refined, 7,883 tons. Highest and lowest issued price for all markets during September, $8.50 and $8.40, respectively. Highest and lowest price for all markets west of Chicago territory, including Missouri River, since October 1, $7.35 and $7.25, respectively. Basis price for Chicago and markets east thereof since and including October 1, $8.35. Compiling record of distribution by cars east of, including, Missouri River; will wire same as soon as completed.

WESTERN SUGAR REFINING CO.

I will put these telegrams in, with the consent of the committee.

I have a compilation here of the telegrams, which shows, taking the California cane production, that the Western Sugar Refining Co. on September 1 had on hand 23,195 tons, and received from that time to December 14, 37,090 tons, which aggregates 60,285 tons.

That the California & Hawaiian Sugar Refining Co. had on hand September 1 25,353 tons, and received, between September 1 and December 14, 42,145 tons, which makes a total of 67,498 tons.

That the California & Hawaiian Sugar Refining Co. had raws on hand December 15 of 2,240 tons and refined on hand December 15 of 6,183 tons.

Without following the figures out, it further shows that there were sent, of the California and Hawaiian sugars, to the Missouri River trade 18,078 tons during this period, and to Chicago there were sent 11,155 tons, and east of Chicago none.

The same statement is here from the California Cane Sugar Co., and also shows a compilation of the beet-sugar companies, so far as they reported. They are the Great Western Refining Co., the Spreckels Sugar Co., the Utah-Idaho Sugar Co., the Michigan Sugar Co., and the American Beet Sugar Co. They show the amount on hand on November 1, December 1, and December 15 in each instance. Let that go in.

(The papers referred to are printed in the record in full, as follows:)

EXHIBIT No. 70.

BEET-SUGAR PRODUCTION.

Factory.	Date.	100-pound bags.	Stock on hand in bags.	Equals in tons of 2,000 pounds.
		Bags.	*Bags.*	
Great Western Sugar Co., Denver, Colo.	Nov. 1	1,299,962	.....	
	Dec. 1	2,970,609	.....	
	Dec. 15	3,679,719	2,142,767	107,138 tons, or 36 per cent.
Spreckels Sugar Co., Spreckels, Cal.	Nov. 1	960,017	.....	
	Dec. 1	1,647,677	.....	
	Dec. 15	1,166,480	637,285	31,864 tons, or 54 per cent.
Utah-Idaho Sugar Co., Salt Lake, Utah	Nov. 1	300,000	.....	
	Dec. 1	930,000	.....	
	Dec. 15	1,900,000	1,420,000	71,000 tons, or 74 per cent.
Michigan Sugar Co	Dec. 1	309,000	.....	
	Dec. 15	420,000	180,000	9,000 tons, or 43 per cent.
American Beet Sugar Co	Nov. 1	1,138,210	.....	
	Dec. 1	1,429,758	.....	
	Dec. 15	1,533,648	452,043	22,602 tons.
Total production	.....	16,237,172	4,832,095	241,602 tons.

Total beet-sugar production to December 15, 1917, 585,000 tons, or 55 per cent.
Sales to December 12, 302,000 tons, or 52 per cent.

CALIFORNIA CANE SUGAR.

Western Sugar Refining Co., San Francisco, Cal.:		California & Hawaiian Sugar Refining Co., San Francisco:	
Raws on hand Sept. 1 ---------tons--	23,105	Raws on hand Sept. 1 ---------tons--	
Received Sept. 1 to Dec. 14 ------tons--	37,000	Received Sept. 1 to Dec. 14 ------tons--	
Total ---------do----	60,285	Total ---------do----	
Raws refined same period, Sept. 1 to Dec. 14 ---------tons--	48,902	Raws on hand Dec. 15, tons ----------	
Raws on hand Dec. 15, tons ----------	11,370	Refined on hand Dec. 15 ---------tons--	
Refined on hand Dec. 15 ---------tons--	7,883		
Price during September ----------	$8.40 to $8.50		
Since Oct. 1 ------	$7.20 to $7.35		
West of Chicago, Chicago, and markets east since Oct. 1----	$8.35		
Sold Sept. 1 to Dec. 15, Missouri River trade, cars----------	66	Missouri River trade, tons----------	
Chicago ---cars--	104	Missouri River trade, cars----------	
East of Chicago, cars----------	74	Chicago--------tons--	
		Chicago --------cars--	

EXHIBIT No. 71.

DENVER, COLO., *December*

JAMES A. REED,
Chairman Senate Committee on Manufactures,
Washington:

Replying to your telegram 15th, our total production in 100-pon November 1, 1,130,210 bags; to December 1, including above, 1,426,7 December 15, including above, 1,533,648 bags. Amount unshipped De 450,043 bags.

AMERICAN BEET S

The attached telegram was sent to the following: American Beet Denver; Great Western Sugar Co., Denver; Utah & Idaho Sugar Co. City; Spreckels Sugar Co., San Francisco; Michigan Beet Sugar C Mich.:

EXHIBIT No. 72.

WASHINGTON, D. C., *December*

The Senate Committee on Manufactures has under investigation of the sugar shortage and therefore asks that you telegraph immed company's production to November 1, to December 1, to Decembe amount unshipped December 15.

JAMES A. REED, *C*

Government business.

EXHIBIT No. 73.

DETROIT, MICH., *December*

Hon. JAMES A. REED,
Chairman, United States Senate, Washington, D. C.:

Answering your telegram, we produced no sugar this year prior to 1; output to December 1, 15,453 short tons; output to December 15, 2 tons; amount unshipped December 15, 9,000 short tons.

MICHIGAN S

EXHIBIT No. 74.

SALT LAKE CITY, UTAH, *Dec*

Senator JAMES A. REED,
Chairman Senate Committee, Washington, D. C.:

Your inquiry just received. November 1 we had produced 80,000,(sugar; December 1, 98,000,000 pounds; December 15, 100,000,000 p shipped December 15, 142,000,000 pounds. Shortage caused in our t

labor shortage, great number of farmer boys having enlisted for Army service, and available supply of labor inadequate; also on account of extremely dry fall, which prevented beets from growing. Prospects for an average crop next year very doubtful account labor shortage, the high price of wheat fixed by Congress making it impossible for us to secure acreage contracts at less than $8.50 per ton to the farmer, and then farmers think more in $2 wheat. We can not pay more for beets on account of price of sugar being fixed at $7.35 by Food Administration.

UTAH IDAHO SUGAR CO.,
By MERRILL NIBLEY.

EXHIBIT No. 75.

SAN FRANCISCO, CAL., *December 17, 1917.*

JAMES A. REED,
Chairman Senate Committee on Manufactures,
Washington, D. C.:

Production to November 1, 660,017 bags; to December 1, 1,067,677 bags; to December 15, 1,106,490 bags. Amount unshipped December 15, 637,285 bags.

SPRECKELS SUGAR CO.

EXHIBIT No. 76.

DENVER, COLO., *December 18, 1917.*

Senator JAMES A. REED,
United States Senate, Washington, D. C.:

Referring your telegram 15th. Production of 100-pound bags to November 1 total 1,290,062 bags; to December 1 total, including previous production, 2,070,000 bags; to December 15 total, including previous production, 3,670,712 bags; unshipped December 15, 2,142,767 bags.

THE GREAT WESTERN SUGAR CO.

EXHIBIT No. 77.

SAN FRANCISCO, CAL., *December 17, 1917.*

JAMES A. REED,
Chairman Senate Committee on Manufactures,
Washington, D. C.:

Distribution September 1 to December 15, Missouri River, 60 cars; Chicago, 104 cars; east of Chicago, 74 cars.

WESTERN SUGAR REFINING CO.

EXHIBIT No. 78.

CHICAGO, ILL., *December 16, 1917.*

Senator JAMES A. REED,
Chairman Committee on Manufactures, Washington, D. C.:

Total beet granulated sugar production this season to date, 585,000 short tons. Have wired for information necessary to give you accurate figures on sales and deliveries to date; hope be able to wire you this information to-morrow.

HORACE C. EARLE, *Manager.*

EXHIBIT No. 79.

CHICAGO, ILL., *December 18, 1917.*

Senator JAMES A. REED,
Chairman Committee on Manufactures,
United States Senate, Washington, D. C.:

Referring your telegram 15th and ours 16th. Total beet granulated sugar sales and deliveries from this season's crop to December 12, 802,000 tons.

HORACE C. EARLE, *Manager.*

EXHIBIT No. 80.

SAN FRANCISCO CAL., *December 18, 1917.*

Hon. JAMES A. REED,
U. S. Senate, Washington, D. C.

Hawaiian raws on hand our warehouses California September 1, 25,933 tons; amount received since, 42,145 tons; on hand December 15, raws, 2,240 tons; refined, 6,183 tons; amount refined distributed Missouri River, comprising Dakotas, Nebraska, Kansas, Oklahoma, Minnesota, Iowa, Missouri, and Arkansas, 18,078 tons; amount distributed Chicago territory, comprising Illinois and Wisconsin, 11,175 tons; farther east, none.

CALIFORNIA & HAWAIIAN SUGAR REFG. CO.

Mr. ROLPH. May I ask to be allowed to put this in, a statement in reference to the transportation?

The CHAIRMAN. This is a telegram of December 12 which comes from the food administration sugar distributing committee. It may go in.

(The telegram referred to is here printed in the record in full, as follows:)

EXHIBIT No. 81.

CHICAGO, *December 12, 1917.*

Mr. GEORGE M. ROLPH,
Care American Refiners Committee, 111 Wall St., New York:

We are wiring Edward Chambers, transportation director, Washington, as follows: Based upon telegram from Mr. Rolph December 4, reporting no embargo on food products and under express instructions from Food Administration, Washington, we accepted numerous orders to relieve serious sugar-supply situation New York State and Pennsylvania points and Baltimore, Md., and have shipped many cars from Michigan-Ohio factories; also have between 15 and 20 cars now loaded at these factories in completion of orders which we accepted. We are advised to-day New York Central holding cars account embargo east of Ashtabula; also Baltimore Ohio say accepting no eastern shipments even on Government orders; also Lake Erie Western refuses take business for points off own lines; also Pennsylvania refuse cars for Rochester at junction Toledo account embargo; also Grand Trunk refuse accept 5 cars for New York State points loaded to-day at Owosso, Mich., and other lines named refuse accept 7 cars at Blissfield, Mich., and 3 or 4 cars at Ottawa, Ohio. Very important shipments already transit and these additional 15 cars now loaded proceed to destinations immediately." Earnestly hope our eastern shipments made under your instructions will not be delayed in transit and that you will give us all possible assistance in removing embargo and hurrying transportation.

FOOD ADMINISTRATION SUGAR DISTG. COMMITTEE.

Mr. ROLPH. Here is another one I want in the record.

The CHAIRMAN. I do not think letters written by Mr. Chambers, who has been right here in town since this hearing began, ought to go in.

Senator KENYON. Is he here now?

Mr. ROLPH. Yes. Would you call him?

The CHAIRMAN. I want to ask you about some sugar ownerships that I do not think have been touched on. The United Fruit Co. owns its own plantations in Cuba, does it not?

Mr. ROLPH. I only know that from hearsay.

The CHAIRMAN. Do you understand that as a matter of information in the trade?

Mr. ROLPH. Yes.

The CHAIRMAN. And it in turn owns the Revere Sugar Refining Co.?

Mr. ROLPH. I think that is true.

The CHAIRMAN. In other words, there is a common ownership, somewhat similar to the kind of ownership that exists between the refining company with which you were connected and the Sugar Factors Co.?

Mr. ROLPH. I believe there is.

The CHAIRMAN. The Gramercy Sugar Refining Co. in Louisiana is owned, is it not, by the Cuban-American Sugar Refining Co.?

Mr. ROLPH. I can not testify to those things, because I only know them as hearsay.

The CHAIRMAN. Do you understand that as a matter of information that comes to you in the trade, and in your present position?

Mr. ROLPH. I do not know just who, whether it is B. H. Howell & Sons, of the Cuban-American, or just what the ownership is.

The CHAIRMAN. The Cuban-American is controlled by B. H. Howell & Sons, who are agents for the National Sugar Refining Co.?

Mr. ROLPH. That is right.

The CHAIRMAN. And in the National Sugar Refining Co. the American Sugar Refining Co. owns a large interest, as it has been stated?

Mr. ROLPH. It is testified here.

The CHAIRMAN. So that a rise in prices of the Louisiana sugar would benefit that combination of companies, would it not?

Mr. ROLPH. I can not see how it would have the slightest effect on them.

The CHAIRMAN. You do not think it would help them any, although they own and are themselves the proprietors of the sugars? If you raise the price of Louisiana sugar, that would put up the price of these other sugars. Is not that true?

Mr. ROLPH. It would put them down, from 8.35 to 8.15.

The CHAIRMAN. If you raise the price of Louisiana sugars, and these gentlemen are manufacturing sugars, drawn from plantations that they own, will not the price of sugars, following the Louisiana price, benefit them?

Mr. ROLPH. I do not know that they own any plantations.

The CHAIRMAN. That is just what I asked you.

Mr. ROLPH. I do not think they do.

The CHAIRMAN. The Warner Sugar Refining Co. owns a plantation in Cuba, does it not?

Mr. ROLPH. I believe they do. I believe they are interested.

The CHAIRMAN. And that it also owns a beet-sugar factory in California, does it not?

Mr. ROLPH. I believe they are interested in one.

The CHAIRMAN. Therefore they are interested in a high price—that is, a high price for raw sugar would benefit their interests?

Mr. ROLPH. A high price for Louisiana sugar?

The CHAIRMAN. A high price for raw sugar would benefit them if they are producers of raw sugar, would it not?

Mr. ROLPH. In Cuba; yes.

The CHAIRMAN. They run a beet-sugar factory in California. They buy the beets?

Mr. ROLPH. I do not know whether they are interested in that now or not. I understand they are. I do not know to what extent.

The CHAIRMAN. I understand you may be in error about some of these things, but I am trying to get your best knowledge in the trade. The proprietors of the Western Sugar Refining Co. own plantations in California jointly with the American Sugar Refining Co., do they not?

Mr. ROLPH. Own plantations in California?

The CHAIRMAN. Yes.

Mr. ROLPH. The Spreckels Brothers, John C. Spreckels Brothers & Co., of California, are the owners, together with the American Sugar Refining Co., I believe, of the Spreckels Beet Sugar Co.; the Spreckels Sugar Co., or the Spreckels Beet Sugar Co.

The CHAIRMAN. Is that a beet-sugar company, or does it handle beets and cane both?

Mr. ROLPH. No, it is only beet.

The CHAIRMAN. Do they raise beets? Do they have large tracts of land and raise beets themselves?

Mr. ROLPH. I do not know to what extent. They own the largest beet factories in the world.

The CHAIRMAN. Do you know whether they own the lands or not, or control them?

Mr. ROLPH. I am not acquainted with the details.

The CHAIRMAN. The Pennsylvania Sugar Refining Co. participates in that contract for Hawaiian sugars, and refines its sugar at 10 cents per pound less than the price of the others, which gives them a margin of 1.40 against other refiners at 1.30, does it not?

Mr. ROLPH. Yes; it will.

The CHAIRMAN. The Savannah Sugar Refining Co. is controlled by the Oxnard interests, is it not?

Mr. ROLPH. What is that?

The CHAIRMAN. The Savannah Sugar Refining Co. is controlled by the Oxnard interests, is it not?

Mr. ROLPH. So I understand.

The CHAIRMAN. And they also control the American Beet Sugar Co., do they not?

Mr. ROLPH. I can not say who controls it.

The CHAIRMAN. You understand they have an interest in it?

Mr. ROLPH. Robert Oxnard is the manager of it.

The CHAIRMAN. Were you present at any time when the negotiations were on with reference to the Louisiana sugar prices?

Mr. ROLPH. I was.

(Thereupon, at 1.30 o'clock p. m., a recess was taken until 2.30 p. m.)

AFTERNOON SESSION.

The committee reconvened, pursuant to the taking of the recess, at 2.30 o'clock p. m.

TESTIMONY OF GEORGE M. ROLPH—Resumed.

Senator JONES. Is it not a fact that England, France, and the United States are seeking sugar?

Mr. ROLPH. They are.

Senator JONES. Is that due to any shortage in the supply or to what other cause, if any?

Mr. ROLPH. All those countries are very short of sugar.
Senator JONES. Due to what?
Mr. ROLPH. Due to a lack of available sugar in the world.
Senator JONES. Then there is a lack of available sugar in the orld?
Mr. ROLPH. Yes; there is.
Senator JONES. How long has that condition existed?
Mr. ROLPH. That condition has existed for some time, and is most ute at the present time.
Senator JONES. Had that condition anything to do with the rise the retail price of sugar in the spring and early summer of this ar?
Mr. ROLPH. It had something to do with it.
Senator JONES. To what extent is there a shortage in the available pply for those countries just mentioned?
Mr. ROLPH. The shortage of sugar in the world's crop repre-nts, from 1914 to 1917, about 2,800,000 tons.
Senator LODGE. You mean the world outside of Germany?
Mr. ROLPH. The whole world.
Senator LODGE. Or do you mean the shortage in Germany?
Mr. ROLPH. I mean the total shortage in the world's crop.
Senator LODGE. "The world" includes Germany and Austria.
Mr. ROLPH. Yes.
Senator LODGE. Then how much of that shortage is German and ustrian shortage?
Mr. ROLPH. That is the total shortage. In 1913–14 the crop of uropean beet sugar was 8,113,351 tons, and the estimated European et crop for 1917–18 is 3,849,000 tons.
Senator LODGE. Does that include Germany, Austria, and Russia?
Mr. ROLPH. Yes.
The CHAIRMAN. Do you mean that those last figures include Ger-any and Austria and Russia?
Mr. ROLPH. Yes. The reduction in the total crop of all coun-ies in the world.
The CHAIRMAN. Pardon me, but is not that reduction arrived at this way, that before the war the crops of Austria and Germany ere counted as a part of the world's sugar supply, and that since e war they are not counted as a part of the world's sugar supply?
Mr. ROLPH. They are counted as a part of the world's sugar sup-y, but they are locked up in this case.
Senator LODGE. They have been locked up since 1914?
Mr. ROLPH. Yes.
Senator LODGE. And the Russian supply is practically locked up?
Mr. ROLPH. They have had that available partly.
Senator LODGE. How did they get it out?
Mr. ROLPH. They used it up.
Senator LODGE. Oh, they used it themselves?
Mr. ROLPH. Yes. The figures I have here are from Willett & Gray, id they show for Europe the countries of Germany, Austria, Hun-ry, Belgium, Serbia, Bulgaria.
Senator LODGE. How much have we drawn from that source in the ast three years?
Mr. ROLPH. We have not drawn any.

Senator LODGE. Then, there is nothing new in that. There is no new loss?

Mr. ROLPH. No.

Senator LODGE. What I think we want to get at is what Mr. Babst talked about yesterday, the available supply outside of those which you have read, of which we are deprived by the fact of war.

Mr. ROLPH. The figures that I have here are the figures that have been prepared by the international sugar committee, showing that the stocks of sugar in the world available for use of the United States and the allied nations at war with Germany, and the neutral European countries, represent a total domestic production of the United States in this territory of 2,075,000 tons. The Cuban crop is estimated at 3,200,000 tons; British West Indies at 300,000 tons; Santo Domingo, for export, 150,000 tons; Mauritius, 150,000 tons; Peru and Brazil, 70,000 tons; and Java, 250,000 tons, making a total of 6,195,000 tons, estimated, from which we should deduct for short crops in the United States beet 125,000 tons, as they were figured at 800,000 tons, and 25,000 tons from estimated Louisiana crop of 250,000 tons, and Java as unavailable, 250,000 tons, making the total available sugar for the various nations 5,795,000 tons.

Senator LODGE. You have not made any allowance for the Porto Rican increase?

Mr. ROLPH. I have Porto Rico at 500,000 tons.

The CHAIRMAN. And what about the Cuban increase of 600,000 tons?

Senator LODGE. Oh, this is for next year?

Mr. ROLPH. Yes. I put Cuba at 2,300,000.

Senator LODGE. Those are estimated, of course?

Mr. ROLPH. The requirements of these various countries are: The United States, 3,700,000 tons; estimated exports from the United States to the United Kingdom, France, and neutrals, 550,000 tons, making a total of 4,250,000 tons for the United States; the United Kingdom, 1,350,000 tons; France, 100,000 tons; Canada, 320,000; local domestic consumption in Cuba, 100,000 tons; British West Indies, 50,000 tons, making a total of 1,920,000 tons, or a total requirement of 6,170,000 tons, showing, if these figures are correct, that we will be somewhat short of sugar this next year unless the Cuban crop turns out better than the figures that we have here, unless ships are provided to go to Java to bring over approximately 250,000 tons.

Senator LODGE. You calculate then that the beet sugars of France are absolutely extinct?

Mr. ROLPH. No; I figure France at 200,000 tons of sugar.

Senator LODGE. I did not catch that in your list.

Mr. ROLPH. These are the requirements of the countries.

Senator LODGE. I did not catch it in your list of production.

Mr. ROLPH. No; these are the imports from those various countries.

Senator LODGE. I understand, but you gave what purported to be a list of all available sugar and you gave nothing for France.

Mr. ROLPH. France requires 300,000 tons in addition to what she produces.

The CHAIRMAN. Has France reduced any in her consumption since the war?

Mr. ROLPH. She has reduced considerably.

The CHAIRMAN. How much?

Mr. ROLPH. France's prewar normal consumption was 43.85 pounds per capita. She has now reduced to 32 pounds per capita.

The CHAIRMAN. Has England reduced since the war?

Mr. ROLPH. England's prewar per capita consumption was 93.37 pounds, and she has reduced to 69 pounds, a decrease in each case of about 25 to 27 per cent.

The CHAIRMAN. Are these figures for England? That is the term I used. Do you apply them to the entire British Empire?

Mr. ROLPH. I apply them to the United Kingdom.

The CHAIRMAN. How about Canada. Has the consumption decreased any there?

Mr. ROLPH. I have not the figures for Canada.

The CHAIRMAN. How about Australia?

Mr. ROLPH. I have not the figures for Australia.

The CHAIRMAN. New Zealand?

Mr. ROLPH. I have not the figures. I can only give you the per capita consumption of Germany, the Netherlands, Russia, Austria, Hungary, Norway, Sweden, Switzerland, Denmark, Belgium, the United Kingdom, and the United States, prewar.

Senator VARDAMAN. Will you put that in the record?

Mr. ROLPH. Yes.

(The matter referred to was later furnished by Mr. Rolph, and is here printed, as follows:)

Per capita consumption of sugar in 1913.

	Pounds
Italy	11.68
Spain	14.19
Russ'a	25.43
Austro-Hungary	29.17
Belgium	36.08
France [1]	43.85
Germany	45.13
Netherlands	50.09
Sweden-Norway	57.73
Switzerland	73.55
United States	80.14
United Kingdom [1]	93.37
Denmark	95.57

Senator JONES. Have you the reduced consumption per capita figures there for those same countries?

Mr. ROLPH. No; only for the United Kingdom and France.

Senator JONES. The supply of sugar in Germany, Austria, and Russia has practically been cut off from the United States and the United Kingdom, has it not, since the war in Europe began?

Mr. ROLPH. It has been.

Senator JONES. State then why it is that during the war years of 1915 and 1916 there was not this shortage of sugar in the United States, and why that shortage exists now.

Mr. ROLPH. Because during those early years there was sufficient tonnage to move sugar from more distant places. Large quantities of Java sugar were taken from Java to the United Kingdom, but as the submarine sinkings increased, it became more and more difficult

[1] Per capita consumption at present time: United Kingdom, direct, 26; indirect, 43; total, 69. France, direct, 13; indirect, 19; total, 32.

to secure ships to transport cargo
sought a market in the West Indi
Senator JONES. Then while the
the production in sugar outside
year 1917 was as large and perha
yet, owing to ship facilities and w
able. Is that your position?
Mr. ROLPH. It is. It has absol
made very earnest efforts at the t
to secure Japanese ships to bring
and it was impossible to secure
country.
Senator JONES. I will ask you
year 1917, starting in the spring
United States, the United Kingdo
greater relatively than the relativ
Mr. ROLPH. I think there is no
Senator JONES. Then in your j
be performed by the creation of
as has been created?
Mr. ROLPH. It was to prevent c
supplies.
Senator JONES. And unless that
in your judgment, would be the r
Mr. ROLPH. I think that the c
unrestrained, would have sent pri
Senator JONES. You mean abn
Mr. ROLPH. Yes; as shown by t
Senator JONES. State what was
in the United States in the spring
to prices.
Mr. ROLPH. They were very hi
the shortage of sugar that devel
East.
Senator JONES. In your opinio
there been no attempt at regulati
Mr. ROLPH. I believe that if
mission to break the control at
you would have seen sugar——
The CHAIRMAN. Oh, that is not
Senator JONES. That is a suffici
Mr. ROLPH. I think you woul
12 or 15 cents a pound, and it wa
had been permitted to buy, the r
bit more, in order to secure the su
not have remained out of the m
and there is no telling where the
Senator JONES. In agreeing up
and the manufacturers of beet su
arbitrary price was fixed, was the
Mr. ROLPH. None whatever.
Senator JONES. I believe you
mum price?

Mr. ROLPH. It was a maximum price for the beet people and a maximum margin for the refiners.

Senator JONES. If it should happen that there should be a large supply of sugar, an excessive supply of sugar, would that have a tendency to reduce the jobbing price below the seven and a quarter and the price for cane sugar which was agreed upon?

Mr. ROLPH. Yes; it would have.

Senator JONES. What is the purpose in fixing this price?

Mr. ROLPH. The purpose in fixing the maximum price was to stop speculation and profiteering as much as it was possible to do so.

Senator VARDAMAN. If they could not pay above it, would it not have the same demoralizing effect to lower the price? If they could not pay above the maximum price which you fixed, as you said would have been the result had you permitted Mr. Spreckels to go above that, would it not have the same demoralizing effect if he sold it below?

Mr. ROLPH. No; because as a rule in changing prices due to market conditions, unless there are unusual conditions, prices all seek the same level for the reason I stated to-day.

Senator VARDAMAN. You do not know, then, that there were not other refiners that wanted to get the same sugar that Mr. Spreckels bid, do you?

Mr. ROLPH. Do you mean to bid higher for the raw sugar?

Senator VARDAMAN. Yes. When you fixed the price and stabilized it, would it not demoralize the market just as much as if the price was raised, if you fixed the market at a certain price? Would it not demoralize the market just as much as to raise it?

Mr. ROLPH. Yes.

Senator VARDAMAN. That is all.

Mr. ROLPH. Not demoralize the market. It would result in changing the stabilized price.

Senator VARDAMAN. You mean there would be variations in the market?

Mr. ROLPH. Yes.

Senator JONES. You can call it whatever you please, variation or demoralization.

The CHAIRMAN. I understand that if it goes down it is demoralization and if it goes up it is a variation.

Senator JONES. Yes; all right. Senator Lodge this morning stated in a very clear way that his understanding of the purpose of this food regulation was that it was to increase the price to the producer.

Senator LODGE. No.

Senator JONES. But lower it to the consumer?

Senator LODGE. No; neither you nor Mr. Rolph understand what I asked. I said this: The plan was—and you will find it in the record because the question was carefully framed—the plan was, was it not, to lower the price to the consumer and at the same time increase production?

Senator JONES. Yes; very well. Now I will ask you what you have done in that direction, if anything—I mean the Food Administration?

Mr. ROLPH. They have, as shown by a chart in the document called "United States Food Administration. Policies and Plans of Operation on Wheat, Flour, and Bread"—opposite page 40 it shows

a chart of the price of wheat in 1916 and the price of wheat in 1917, the Government's price to farmers, 4½ bushels in 1917, and the price in barrels of flour at the mill in 1916 and 1917——

Senator JONES. That is not responsive to my question, of course.

The CHAIRMAN. No; that is not competent; that goes out.

Senator LODGE. It has no relation to my question. I did not ask the increase of price, I asked the increase of production. When Mr. Rolph will show us on that chart that the area of winter wheat has increased, then he can answer that question.

Mr. ROLPH. I understand that an increased price tends to increase production, and the higher the price the higher the production.

Senator LODGE. Yes; but you were going to decrease the price to increase production, which, I say, was an interesting experiment, which it is.

Senator JONES. I think I can bring out your point, Senator. I think I understand it.

I will ask you to state whether or not, as the result of what has been done relative to sugar, the price of sugar beets has increased.

Mr. ROLPH. The price of sugar beets has increased.

Senator LODGE. That is not responsive to my question.

Senator JONES. I will bring it out in a series of questions.

Senator LODGE. I want to know whether the beet area has increased.

Senator JONES. Well, I suppose it is an accepted economic doctrine, is it not, that if you increase the price of a thing, that tends to increase the production of a thing?

Mr. ROLPH. It is.

Senator LODGE. But you have just brought out by your questions the fact that the beet-sugar crop is to be less next year.

Senator JONES. No.

Senator LODGE. He answered that according to his estimate it would be 125,000 tons less than this year.

Mr. ROLPH. That is, this crop that has just been taken off.

Senator LODGE. Do you mean——

Mr. ROLPH. From October 1 to October 1.

Senator LODGE. That was less than what?

Mr. ROLPH. The estimate that we had for the crop was 800.000 tons. The latest figures that I have show it to be about 655,000 long tons.

Senator LODGE. I am speaking of your estimate of the next year.

Mr. ROLPH. From the 1st of October of this year to the 1st of October of next year.

Senator LODGE. Next year's crop?

Mr. ROLPH. Yes; which really means the crop that is being harvested.

Senator LODGE. The answer is that you have no knowledge of the beet crop of next year at this time?

Mr. ROLPH. No, sir; I have not.

Senator LODGE. Then, you can not answer my question.

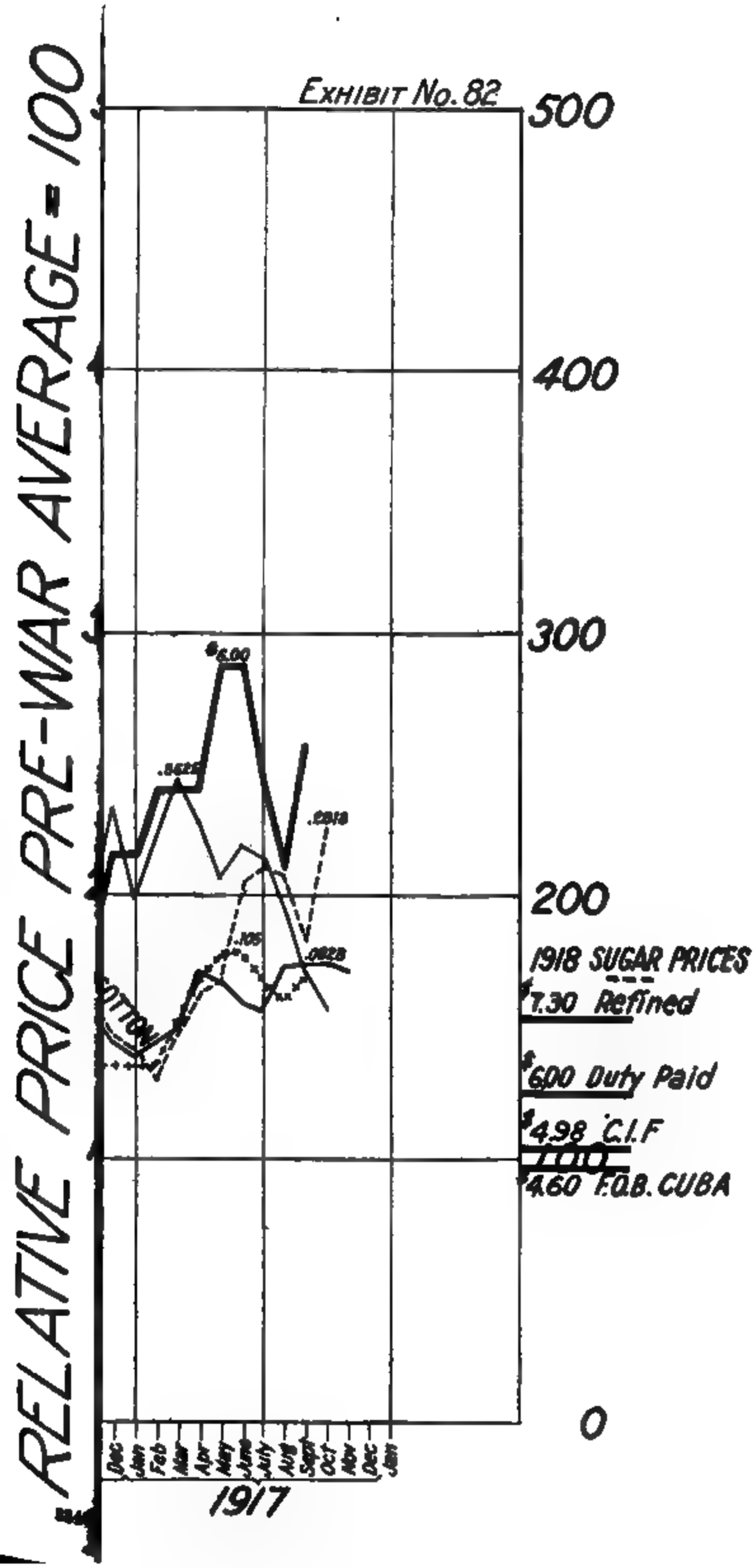
Senator JONES. In the beet industry the contracts for sugar beets are largely made in the winter and early spring of the year in which the beets are grown, are they not?

Mr. ROLPH. Yes; in California—depending on the State which you are referring to.

Senator JONES. I am referring now to the Rocky Mountain States.
Mr. ROLPH. Yes; that is right.
Senator JONES. And the price for the beets is fixed in those contracts, as a rule?
Mr. ROLPH. Yes.
Senator JONES. And that crop of sugar beets comes onto the market beginning about the 1st or the middle of October and extending during the next two or three or four months?
Mr. ROLPH. That is right.
Senator JONES. And this increased price—I mean this largely increased price—for the sugar beets, has been arranged for during this year to be put into operation next year, has it not?
Mr. ROLPH. That is true.
Senator JONES. And will or will not that have a tendency to increase the supply of beet sugar for next year?
Mr. ROLPH. The normal tendency would be to increase the acreage, but you have another factor coming in there which I would like to illustrate by a chart which I have here that shows the relative conditions of food products as compared to sugar. This red line [indicating on chart] is the sugar line, and from there it goes down to—well, this is the comparison of the commodities at the same time; for instance, beans are to-day selling at around 15 cents a pound, and hay and wheat are selling at very, very much higher than normal prices. Those factors entering into competition with beets might not bring about an increase in the acreage; but if conditions were normal, if the level of prices were about the same as in normal times, it should increase the beet acreage.
Senator JONES. I think I see that this is a very interesting chart. I wish you would state more in detail what it is.
Mr. ROLPH. It is a chart showing the relative prices of various commodities, such as corn, pork, wheat, sugar, bread, and beans, and steel billets, and it gives a comparison of the prices of those commodities.
Senator JONES. Extending over what period of time?
Mr. ROLPH. From 1911 to 1917.
Senator JONES. Down to the present?
Mr. ROLPH. Down to the present time.
Senator JONES. I would like to have that chart go in the record.
The CHAIRMAN. Just a preliminary question: How do you get a comparison of the price of beans and the price of sugar? Where do you start as your basic point?
Mr. ROLPH. I will have to ask the statistician who prepared this chart as to his basis. They are all reduced to a common basis, so that this comparison is correct.
The CHAIRMAN. How can you get a common basis between beans and sugar?
Senator JONES. They start with the prices at a given time and follow them on. I assume that is what was done in the preparation of this chart.
Mr. ROLPH. Start with percentages over a base price.
The CHAIRMAN. The question always, then, is whether your base price was a proper price or not.
Senator JONES. Certainly.

Senator VARDAMAN. It will not do any ha
The CHAIRMAN. Let it go in for what it is
Senator LODGE. I would ask simply for in
ignorant about these methods of preparing
billets bear on the price of sugar? We know
demand for steel billets for particular purpc
Mr. ROLPH. Steel billets bear on the price
why "steel billets" happens to be put on t
should have been on this other one.
Senator LODGE. Let me ask you a questio
that up. If a man could make $20 a day
could make only $10 a day growing sugar l
likely to do?
Mr. ROLPH. He would go into the steel-bil
Senator LODGE. And is not that the purpos
Mr. ROLPH. Yes.
Senator LODGE. This does not show wages?
Senator JONES. Certainly not. It shows p
Mr. ROLPH. But the steel billets should
which shows a comparison of the price of su
ing into the manufacture of other articles, s
and steel billets.
The CHAIRMAN. Then it shows wages?
Mr. ROLPH. No; but I will be very glad to
if you like.
The CHAIRMAN. I do not make any reque
10 cents a wagonload for ex parte charts
They do not show anything in the world. I
Senator JONES. I presume the chairman
member of the committee to take a different
The CHAIRMAN. Oh, I know that others
Senator JONES. Yes; I take a decidedly di
matter.
The CHAIRMAN. The reason I answered
the witness proposed to me to put somethin
I had requested it. I do not mean to say
He did it thinking I desired it, and I theref
about the desirability of it. I do not care fo
Senator JONES. Now, I should also like
chart prepared for the same general purp
but in reference to different commodities, is
Mr. ROLPH. Different commodities enteri
ducing the sugar.
Senator JONES. And these charts are prep
showing the relative prices back in 1914 and
have made down to the present time, with
years and the months in the years?
Mr. ROLPH. Yes, sir.
Senator JONES. By whom were these chart
Mr. ROLPH. By Dr. Raymond Pearl, of t
of the Food Administration.
Senator JONES. Is he the statistician for t
Mr. ROLPH. He is.

Senator JONES. Why was he so selected, if you know?
Mr. ROLPH. On account of his ability in that class of work.
Senator JONES. And this was prepared by him in his official capacity?
Mr. ROLPH. It was.
The CHAIRMAN. His official capacity?
Senator JONES. As an official of the Food Administration, and as a part of it, and for the purpose of showing the facts which it pretends to show?
Mr. ROLPH. That was exactly why it was prepared.
Senator JONES. Have you any reason to doubt its correctness?
Mr. ROLPH. I have not. I think it is correct.
Senator JONES. I ask that these two charts be put in the record.
The CHAIRMAN. I should like to have somebody who made these charts tell us the basis on which they are arranged. Here is just a picture brought in here by Mr. Rolph, who tells us that a gentleman made it. Who is this man?
Mr. ROLPH. May I telephone for him?
The CHAIRMAN. Who is this man who you say made these charts?
Mr. ROLPH. Dr. Raymond Pearl.
The CHAIRMAN. What was his business before he became associated with the food control?
Mr. ROLPH. I think he was with one of the universities. I should be very glad to telephone for him and ask him to come down, if you wish.
The CHAIRMAN. You think he was with one of the universities?
Mr. ROLPH. Yes.
The CHAIRMAN. What was his business in connection with the university?
Mr. ROLPH. I do not know.
Senator VARDAMAN. I suggest, Mr. Chairman, that after it goes in, if you want any further light on the subject we can bring it in.
The CHAIRMAN. Well, of course, it may be entirely misleading. I do not care. I am not going to be technical about it, except I know that there has been no kind of a showing made for its introduction, because we do not know the basis on which they proceeded; but let them go in for what they are worth.
(The charts referred to were marked by the reporter "Exhibit No. 82, Rolph No. 5," and "Exhibit No. 83, Rolph No. 6.")
Mr. ROLPH. He was from the University of Maine, one of the gentlemen tells me, and is a well-known statistician.
Senator JONES. Mr. Rolph, you have stated that the price of sugar beets for next year has been largely increased by agreement of the beet manufacturers above the price paid in 1917, 1916, and previous years. That will have a tendency, in your judgment, as you have stated, to increase the production of beet sugar. Now, then, explain to us what you have done, if anything, which will tend to reduce the price of sugar to the consumer.
Mr. ROLPH. The Food Administration has entered into a voluntary agreement with the beet producers whereby they limit their maximum price for sugar, which maximum price is below the average price of sugar for this year; and I want to say that the comparison of prices to-day with prices in prewar times is not fair. It has got to be based



RELATIVE PRICE PRE-WAR AVERAGE = 100
EXHIBIT No. 82
500
400
300
200
100
0
$6.00
.8625
.2818
.105
.0828
COTTON
1918 SUGAR PRICES
$7.30 Refined
$6.00 Duty Paid
$4.98 C.I.F
$4.60 F.O.B. CUBA
Dec
Jan
Feb
Mar
Apr
May
June
July
Aug
Sept
Oct
Nov
Dec
Jan
1917

RELATIVE PRICE PRE-WAR AVERAGE = 100

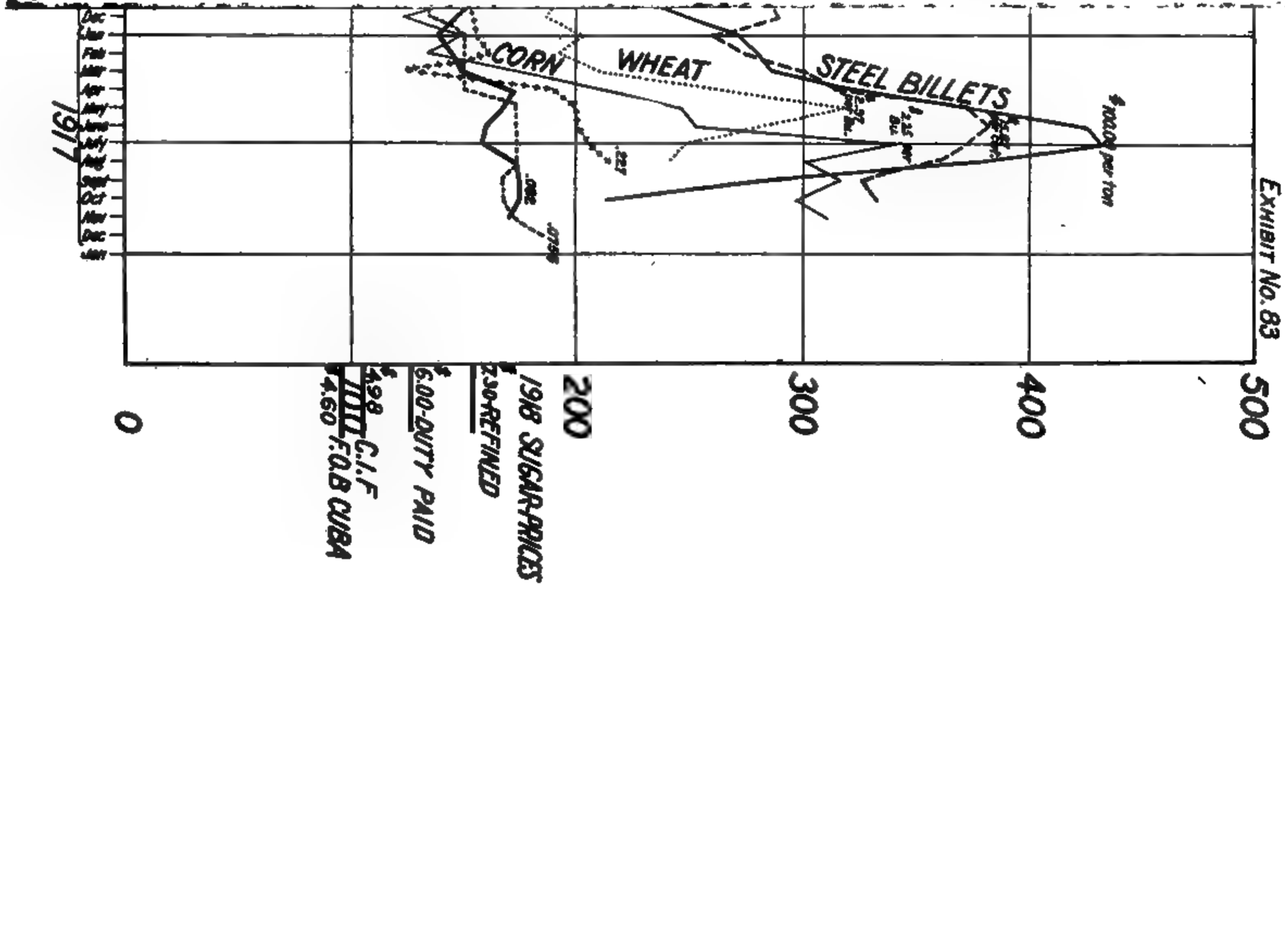


EXHIBIT No. 83

on the cost of production, and the cost of production has very materially increased, as you can see from these charts, by the very commodities that have gone into them, but above the limit set in these voluntary contracts they can not go. There is no question but that if this committee, for instance, should authorize the release of those contracts for a week you would see the sugar—there is such a demand for it all over the country—jump up probably to 12 or 15 cents, and maybe higher, immediately. The fact that the contracts are in existence holds it down to the $7.25 price.

Senator LODGE. Except where you raise it to $8.15.

Mr. ROLPH. Yes, sir. I did that for market reasons.

Senator JONES. If the price of sugar had been increased this year in proportion to the increase in the price of steel billets, can you estimate from this chart what would be the price of sugar to-day?

The CHAIRMAN. Now, wait one moment. Will you let me ask a preliminary question there?

Senator JONES. Surely.

The CHAIRMAN. The price of steel billets has been under Government control, too, has it not, Mr. Rolph?

Mr. ROLPH. I do not know.

Senator JONES. I do not think that bears on my question.

The CHAIRMAN. Why, manifestly a comparison of a price of sugar with a price of steel billets, both prices having been artificially made, does not give us any possible line on what the price of sugar would have been if there had been no regulation. I think you will see that.

Senator JONES. I will ask you if the price of steel billets is not much lower since the so-called governmental regulation than the price before?

The CHAIRMAN. The witness has just said he did not know whether it was regulated or not.

Senator JONES. I did not hear that answer.

Mr. ROLPH. I have here the comparison of sugar with cotton. With cotton at 25 cents a pound, raw sugar should be worth 11½ or thereabouts. With cottonseed meal at $67 a ton, it should be 10 cents a pound.

Senator LODGE. Has the price of cotton been regulated?

Mr. ROLPH. No, sir.

Senator VARDAMAN. Did it ever occur to you, Mr. Rolph, that the supply of cotton is about 3,000,000 bales short; that this is the smallest crop of cotton that has been raised in many, many years?

Mr. ROLPH. Yes; I realize that, Senator, but the crop of sugar is also likewise short.

Senator VARDAMAN. I thought it was stated that there was——

Senator LODGE. Do you mean that it was lower than the year before?

Mr. ROLPH. No; but I mean to say that the prospective crop and the prospective world's requirements which we have before us to-day, and which is the problem which the International Sugar Committee has been struggling with for some time, shows to-day that unless we go to Java and send the ships to Java to get the sugar there will not be enough sugar on these estimates to go around.

Senator LODGE. On that basis, you are figuring that estimate and the shortage of next year by taking the crop of this year?

Mr. ROLPH. I am taking the sugar that will be available from October 1 to——

Senator LODGE. Let us know what those figures are. Are those figures for the year that have been exhibited in two capacities—the figures for the year just closing—or are they the estimates for the next year?

Mr. ROLPH. They represent the sugars that will be available for use in the world during the year 1918, produced after the 1st of October, 1917.

Senator LODGE. Then, they are the estimates for the coming year?

Mr. ROLPH. Yes, sir.

Senator LODGE. Exactly. I understood you a moment ago to say they were the estimates of this year when you replied to me about the beet sugar.

Mr. ROLPH. I am sorry, Senator, for the misunderstanding; but this year the production from the 1st of October of this year, of the year 1917—anything produced from the 1st of October, 1917, to the 31st of December, 1917, is included in these estimates.

Senator LODGE. I know it. How much new sugar crop comes in during those three months?

Mr. ROLPH. The beet sugar is very largely produced in those three months.

Senator LODGE. Is not the beet sugar all harvested now?

Mr. ROLPH. Not quite. I can not answer that question.

The CHAIRMAN. Approximately all?

Mr. ROLPH. Approximately all of it.

Senator LODGE. The cane sugar is all harvested?

Mr. ROLPH. No; Louisiana—are you talking of to-day?

Senator LODGE. I am talking of the great mass of cane sugar—Cuban sugar. Is it not all harvested long ago?

Mr. ROLPH. It is just coming in.

Senator LODGE. No; that is the new crop. The new crop is coming in. The new crop is the crop for next year. They are beginning to grind now in Porto Rico and Cuba?

Mr. ROLPH. Yes.

Senator LODGE. That is not yet on the market?

Mr. ROLPH. Not yet.

Senator LODGE. What I want to get at is what you are making your comparisons with. Those are the figures, as I understand it, of the year now expiring?

Mr. ROLPH. No; these are the figures that will be available from the 1st of October, 1917, until the 1st of October, 1918.

Senator LODGE. They are estimates for the next crop?

Mr. LODGE. Yes, sir; but they include part of these crops.

Senator VARDAMAN. What amount of sugar do you estimate Cuba will produce in that estimate?

Mr. ROLPH. Three million two hundred thousand tons.

Senator LODGE. That is the crop of this year.

Senator VARDAMAN. Why, it is estimated that this crop will amount to—some statisticians or estimators make it 3,600,000 tons.

Mr. ROLPH. Yes, but that is only an estimate.

Senator LODGE. Well, this is only an estimate.

Senator VARDAMAN. This is only an estimate—necessarily so.

Mr. ROLPH. This is a more conservative estimate than that one. The Cuban crop has always been overestimated. The Cuban crop last year was estimated at 3,400,000 tons at one time and 3,200,000 tons at another, and it turned out actually to be 3,000,000 tons.

Senator LODGE. Your estimate is what you are going to get next year—those figures which you are comparing?

Mr. ROLPH. For Cuba; yes.

Senator LODGE. And for Porto Rico?

Mr. ROLPH. Yes.

Senator LODGE. And for beet sugar?

Mr. ROLPH. No.

Senator LODGE. You are counting part of this beet-sugar crop into next year's crop?

Mr. ROLPH. Part of it. The sugar year—all statistics of all sugar years run from October 1 to October 1.

Senator LODGE. Exactly. Well, then, that is not an estimate either for the past year or the present or the next; it is part one and part the other?

Mr. ROLPH. The bulk of it is this year's crop.

Senator LODGE. Exactly. It is part one and part the other.

Mr. ROLPH. Because it started from the 1st of October, and the beet crop——

Senator LODGE. What I am trying to get at is the estimate for the next sugar year.

Mr. ROLPH. This is the best estimate that I can give you, Senator, for the next sugar year—not the next calendar year.

Senator LODGE. The next sugar year, and not the sugar year that has expired.

Mr. ROLPH. Yes, sir.

Senator JONES. The sugar year, as you have just stated, begins with the 1st of October, and we are now in the early part of the sugar year of 1917–18?

Mr. ROLPH. Yes, sir.

Senator JONES. The beet-sugar crop in the Rocky Mountain country—and that furnishes a very large percentage of the beet-sugar crop, does it not?

Mr. ROLPH. Yes; that furnishes over 200,000 tons.

Senator JONES. That begins to come in about the 1st of October, does it not?

Mr. ROLPH. As a rule. This year it was very late.

Senator JONES. And so the figures which you have given are for what might be called the present sugar year?

Mr. ROLPH. Of beet sugar.

Senator JONES. Of beet sugar?

Mr. ROLPH. Yes, sir.

Senator JONES. And of all these sugars for the sugar year, taking the sugar year?

Mr. ROLPH. Yes, sir; taking the sugar year.

Senator JONES. And upon that basis the available supply of sugar for the sugar year beginning October 1, 1917, and extending to October 1, 1918, will, in your judgment and according to all this information which you produce here, be short?

Mr. ROLPH. It will be.

Senator JONES. And the supply of these countries which will be directly calling upon the estimated supply?

Mr. ROLPH. Correct.

Senator JONES. And if the ordinary condition of competition between the Governments of Europe and our own people were permitted to be unrestrained, according to the law of economics, that would enhance the price; would it not?

Mr. ROLPH. Very materially.

Senator JONES. And, in your judgment as a sugar man, materially above the price which now obtains in the United States under these agreements which have been referred to?

Mr. ROLPH. I think it would be very much higher.

Senator JONES. You mentioned this morning the fact that the one principal thing which you thought had been accomplished was the reduction in speculation, or, rather, the elimination of speculation. Explain about that and what has been done in that direction, and what has been the effect of it upon prices to the consumer.

Mr. ROLPH. Speculation in sugar is only possible where there is a great variation in prices; and by limiting the margin of the refiner and by limiting the margin of the beet-sugar man to a certain maximum point it is evident that if there is a shortage of sugar the price will remain somewhere near the point fixed in the contract. If there is a large surplus, it will go down from that. Owing to the cost of commodities entering into the production of sugar, the increasing labor costs, and the increasing cost of beets, the raw product from which the sugar is made, it is no doubt evident that there can be little fluctuation in the price on the basis fixed. Therefore, the opportunity of speculation is eliminated, because the line runs along straight.

Senator JONES. There is a certain class of speculators in the sugar world called brokers. What has happened to their business by reason of what has been done here in adjusting these prices, if you know?

Mr. ROLPH. Brokers, as such, are a very essential feature in the distributing trade, in my opinion. They perform a very necessary function in the distribution of the sugar, as they represent the refiner or the beet factory, in the sections in which they live, and they sell the sugar for a nominal charge, usually about 3 cents per 100 pounds, and as a rule they do not speculate. There is a difference between brokers and speculators. So far as the brokers' business is concerned it has not been interfered with, or will not be interfered with, so far as I know, in connection with these contracts.

The CHAIRMAN. May I ask a question, Senator Jones?

Senator JONES. Certainly.

The CHAIRMAN. There are two kinds of speculators, are there not? There is the bull and there is the bear, commonly so called? One fellow bets that the market is going up; the other fellow bets that the market is going down. They are both speculators, are they not?

Mr. ROLPH. Certainly.

The CHAIRMAN. And every time a fellow bets that the market is going up another fellow has to bet that the market is going down. That is true, is it not?

Mr. ROLPH. There is no question about that.

The CHAIRMAN. If a man bets the market is going up, is he any more of a speculator than a man who bets the market is going down?

Mr. ROLPH. I do not think so.

The CHAIRMAN. You say you have left it so that prices can be reduced below 7.25. What is to hinder the enterprising speculator, under those circumstances, going right on and betting that sugar is going down—selling short?

Mr. ROLPH. The trouble is he is selling paper, and the man who has the factory is selling sugar.

The CHAIRMAN. Oh, yes; and that is true and has been true of these so-called speculators always, has it not? Or do you call a speculator a man who buys some sugar in the market, actually buys some sugar, and holds it a little while? Do you call him a speculator?

Mr. ROLPH. Those are the people I have reference to.

The CHAIRMAN. If there is a sale of paper sugar, does not that affect the prices of sugar?

Mr. ROLPH. It has a tendency to.

The CHAIRMAN. Has it not been that class of gamblers, who have not handled the commodity but who have dealt in paper transactions, who have been inveighed against principally as the wicked speculators?

Mr. ROLPH. Not at all. I think that all the refiners were more or less speculators last year. I think their margins show it.

The CHAIRMAN. Were they the men you referred to as the wicked speculators and the fellows who had to be sat down on—the refiners?

Mr. ROLPH. When I appealed to them to reduce this margin——

The CHAIRMAN (interrupting). No; were they the men you generally referred to as the wicked speculators and profiteers?

Mr. ROLPH. No.

The CHAIRMAN. They were not?

Mr. ROLPH. No, sir.

The CHAIRMAN. Why did you say they were the principal offenders in this respect, then?

Mr. ROLPH. I said I thought they were speculating in the last year.

The CHAIRMAN. Whom did you mean by "profiteers"? You have used that term a great deal, and you have used the term "speculator" a good deal. Whom did you embrace within that?

Mr. ROLPH. I embraced Mr. Spreckels principally.

The CHAIRMAN. Just Mr. Spreckels?

Mr. ROLPH. Principally.

The CHAIRMAN. You have belonged to the sugar crowd that have been dominant in the sugar business for years, have you not?

Mr. ROLPH. I have not.

The CHAIRMAN. Your company has been in pretty close touch and connected with the Sugar Trust, has it not?

Mr. ROLPH. It has not.

The CHAIRMAN. Has it ever contended or fought with the Sugar Trust?

Mr. ROLPH. It had no occasion to.

The CHAIRMAN. It is, in fact, a trust in itself, is it not?

Mr. ROLPH. No; it is not.

The CHAIRMAN. You organized the planters of Hawaii into one combination and organization for the purpose of fixing a single price upon their sugar, and you got 80 per cent of the planters in it?

Mr. ROLPH. No. It was done to get the strangle hold of the Spreckels family off the Hawaiian Islands.

The CHAIRMAN. Not this Spreckels?

Mr. ROLPH. I do not know. It was his family.

The CHAIRMAN. You do know——

Mr. ROLPH (interrupting). His father was interested.

The CHAIRMAN. You do know, Mr. Rolph, do you not, that Mr. Claus A. Spreckels, whom you have been so generously attacking here, has had no connection with the Hawaiian sugar business for many years; that he organized the Federal Sugar Refining Co. upon the eastern coast; that he has been dealing in sugars that were drawn from Cuba and from the West Indies, and that he has been constantly at war to the death with what is known as the Sugar Trust? You know that, do you not?

Mr. ROLPH. I am referring to a time prior to the formation of that company, which was formed in 1904, or 1903.

The CHAIRMAN. You are going back, then, something over 13 years?

Mr. ROLPH. That was the time it was formed.

The CHAIRMAN. Was that the time you formed these planters into this association out in California?

Mr. ROLPH. I did not form them into an association.

The CHAIRMAN. When they were formed into this association, the idea of which originated with you?

Mr. ROLPH. That was in 1903.

The CHAIRMAN. 1903?

Mr. ROLPH. 1903 or 1904.

The CHAIRMAN. Do you remember the year?

Mr. ROLPH. It was 1904.

The CHAIRMAN. At that time was not Mr. Claus A. Spreckels entirely out of the Spreckels sugar refineries?

Mr. ROLPH. I did not know Mr. Claus A. Spreckels at that time.

The CHAIRMAN. I am asking you now if you do not know it as a historical fact that he was entirely out of the Spreckels sugar-refining business?

Mr. ROLPH. May I ask Mr. Brown? Was Mr. Claus A. Spreckels interested in the West at that time?

Mr. BROWN. I do not think he had any interests in the West.

Mr. SPRECKELS. I have had no connection since 1898.

Senator JONES. If I may be permitted to make a suggestion. I think we are getting quite far afield here from what I have been trying to bring out.

Senator LODGE. Mr. Rolph brought in Mr. Spreckels and said he was the only speculator.

Senator JONES. That came in here accidentally, in connection with some interrogatories of the chairman.

The CHAIRMAN. I was trying to get at the question, and it was pertinent to what you were inquiring about, Senator Jones, as to who the profiteers were in the sugar business that Mr. Rolph was after.

Mr. ROLPH. Everybody was profiteering—retailers, jobbers—there was no limit on prices anywhere.

The CHAIRMAN. You mean that if the people became alarmed about sugar and sugar prices went up, anybody who happened to have some sugar on hand was a profiteer?

Mr. Rolph. And charged an unusual profit;
The Chairman. Charged more than he had
Mr. Rolph. Yes.
The Chairman. There is the chance for
down the price of sugar below 7.25—it simply
amount—and to profiteer back and forth und
you reached a stabilized condition of the mark
Mr. Rolph. No; we have not.
Senator Jones. Let me ask you if there is a
body will undertake to beat the price down be
have been spoken of here?
Mr. Rolph. No; I do not think there is; not
The Chairman. Then why could you not tell
I asked you—about two hours ago—tried to ge
had practically reached one price, and when
meant one price?
Mr. Rolph. I did not fix it. It is just as op
I do say this, that if you take the limit off, i
canceled to-day, the price would go up inste
materially higher.
Senator Jones. So the effect of this agreeme
ply to limit the profits of the men who entere
fixing the maximum price, is it not?
Mr. Rolph. That is correct.
The Chairman. Now, let me ask a questio
You say it limits their price. There is no li
which they shall beat down the producer, is th
Mr. Rolph. I just testified this morning tha
the price to the producer.
The Chairman. There is no limit to the poi
sible for them to beat down the price to the pro
Mr. Rolph. The Food Administration has j
this morning, started a commission to investig
The Chairman. There is no limitation of tha
Mr. Rolph. No; there is no limitation of tha
The Chairman. That is all.
Senator Jones. The Food Administration ha
the price that beet manufacturers should pay fo
Mr. Rolph. Not that I know of; not the sligh
The Chairman. Then what is the use of app
Mr. Rolph. To see whether it is right.
Senator Kenyon. How big a commission is i
Mr. Rolph. I think probably four or five me
Senator Kenyon. With a large office force?
Mr. Rolph. No.
The Chairman. You have no power to fix a
what they find out?
Mr. Rolph. No; except moral influence.
Senator Jones. And it was that moral influ
to assist in bringing about this agreement betw
beet sugar, was it not?
Mr. Rolph. It was.
Senator Jones. And it was your power, cou
offices, which enabled you to get the refiners t

mum differential of $1.30, was it not, your power to limit profits of refiners?

Mr. ROLPH. Yes, sir.

Senator JONES. Then this differential which was agreed upon as the maximum which the sugar refiners would take was simply a limitation on the amount which they might obtain, was it not?

Mr. ROLPH. Correct.

Senator JONES. I will ask you to state whether or not prior to that agreement the refiners, or any of them, were exacting or obtaining a differential above the $1.30?

Mr. ROLPH. I have the differentials here from January, and they ran from $1.22½ to $2.12.

Senator JONES. Explain what that differential is, and how you arrive at those figures?

Mr. ROLPH. It is the difference between the cost of the raw sugar and the net selling price of refined.

Senator JONES. You mean the cost of raw sugar on the day that the refined sugar is sold?

Mr. ROLPH. Yes, sir.

Senator JONES. State how and to what extent that differential varied.

Mr. ROLPH. That differential varied from $1.22½ to $2.12, or a difference of 80 points. It varied from $1.22 to over $2.

Senator JONES. Have you the periods of time during this year during which those differentials are made up and the length of time that a given differential continued in effect, of any of these companies?

Mr. ROLPH. This chart shows the differentials above and below [referring to "Exhibit No. 66—Rolph 3"]. I have a statement here showing the weighted net selling price to October 1, which shows the selling prices of the various companies, and, assuming that they all bought their raw sugar on the same basis, it would show their variation and the differentials that they charged.

California & Hawaiian	$7.87	Warner Sugar Refining Co	$7.64
American Sugar Refining Co.	7.409	Arbuckle Bros	7.71
National Sugar Refining Co	7.51	Federal Sugar Refining Co	7.86

The CHAIRMAN. What is that?

Senator JONES. I was going to call that out myself. What is that 7.86 that you just read? I only use that as means of getting at your table concretely, not because it is a particular one, but as one out of the number you have named.

Mr. ROLPH. That represents the average selling price of sugar on those lines for the year, to October 1 [referring to chart].

The CHAIRMAN. You say that these figures represent the average selling price. I am trying to get at this question, whether you mean to say that, taking all of the sugar that was sold through the year and the prices that were paid, these are the average prices?

Mr. ROLPH. No. That price is impossible for anyone to obtain, as it would require a statement as to the amount of sugar sold at the various prices during the year.

Senator JONES. You take the quantity of sugar sold by any one concern during the year and get the average price of sugar during that year and then apply that average price to the whole quantity, do you not?

Mr. ROLPH. No. I take just the price alone.

The CHAIRMAN. Senator Jones, let me make it plain, because I do not think we ought to get into any confusion about it. Let me say, by way of explanation, Mr. Rolph, we will suppose that there are 100,000 tons of sugar that is in the hands of your company; that during the month of August you sell 50 per cent of it at 5 cents a pound, during the next month you sell one-half of the remainder at 6 cents a pound, and then during all the rest of the year you sell the other quarter at 10 cents a pound. How do you get your average price? Do you take the average price by months? Or do you take that first 500,000 tons of sugar that you sold the first month at 5 cents, and the 250,000 that you sold the next month at 6 cents, and the remaining 250,000 that you sold throughout the year at 10 cents, and putting them all together, strike an average?

Mr. ROLPH. That is the way that it is done in a sugar office, but for statistical purposes it is impossible to do that without a complete knowledge of the amounts sold at the various prices.

The CHAIRMAN. Then what you have done by these statistical lines that you have drawn here is to take the months and say that the price of sugar in January was so much and the price in February was so much, and so, and adding those together divide them by 12. That would be your answer?

Mr. ROLPH. Yes.

The CHAIRMAN. That has been true of your sugar maps, showing the prices of raw sugars, has it not?

Mr. ROLPH. It usually works out very close to that.

The CHAIRMAN. That has been true of your sugar maps, showing the prices of raw sugar, has it not? You made them in the same way?

Mr. ROLPH. Yes.

The CHAIRMAN. Do you not know that the Cuban sugar crop, for instance, more than fully 50 per cent of it, marketed right after the crop is harvested, sold way below the figures you have given for the average for that year?

Mr. ROLPH. I should say that the average Cuban crop sold at from 5.66 to 5.75.

The CHAIRMAN. Free on board cars in Cuba. Is that what you mean?

Mr. ROLPH. Oh, no; duty paid.

The CHAIRMAN. What are the figures that you have?

Mr. ROLPH. 6.23 is the average for the year. I am talking up to the 1st of October.

The CHAIRMAN. And the duty is 1.02?

Mr. ROLPH. 1.02 we figure it.

The CHAIRMAN. That would make the average, then, 5.21 free on board cars Cuba?

Mr. ROLPH. How much?

The CHAIRMAN. $5.21, would it not—$6.23, with $1.02 off.

Senator JONES. Freight comes in there also.

The CHAIRMAN. All right. What is the freight?

Mr. ROLPH. It is about 35 cents.

The CHAIRMAN. We will take 35 cents. Taking that off, that is 4.86.

Senator LODGE. F. o. b. Cuba?

The CHAIRMAN. F. o. b. Cuba.

Mr. ROLPH. You have got that wrong.

The CHAIRMAN. I have got your figures, I think. I would like to have you verify them. Start with 6.23.

Mr. ROLPH. No; I said that was the average for the year. I said up to the 1st of October it was 5.66 to 5.75.

The CHAIRMAN. But you said for the year it was 6.23. I desire to take 6.23, which is the yearly average. I would like to have you take 6.23 and have you make the deductions and see if you do not come out where I do.

Mr. ROLPH. Those are the figures there—from 4.36 to 4.45.

The CHAIRMAN. That is a remarkable difference from the figures you gave before.

Mr. ROLPH. The average for the year to date is really 6.23.

The CHAIRMAN. I desire to put into the record at this point two telegrams which I received in response to one that I sent asking the Cuban-American Sugar Co., of New York, for information, and also the Czarnikow-Rionda Co., of New York. These telegrams are addressed to me, and I shall put into the record also the telegram that I sent, so that both sides of the correspondence will appear. I sent the telegram last night. The first telegram from Rionda Co. is as follows:

EXHIBIT No. 84.

NEW YORK, *December 21, 1917, 10.15 a. m.*

Hon. JAMES A. REED,
Chairman Senate Committee on Manufactures,
Washington, D. C.:

Total number of tons Cuban sugar sold by this firm for Cuban planters account of last Cuban crop was 1,749,000 tons of 2,240 pounds each, of which 611,700 were sold to Europe on f. o. b. terms. The average price of the 1,137,300 tons sold to United States was 4.76 cents cost and freight. Our average marine freight last year was approximately 36 cents, leaving 4.40 cents per pound for the aforesaid 1,137,300 tons to United States. The 611,700 tons were sold to Europe at an average of 4.30 cents per pound f. o. b. The above sales comprise all sales made by us of the Cuban crop, the harvesting of which was ended last July and August. The total sales of this firm for September, October, November, and up to date, included in the above sales, total 17,400 tons of 2,240 pounds, against 270,000 tons during the same months of 1916, and 207,000 tons during same months of 1915. The highest price for 1917 was on August 11, when raw sugar sold at 6.75 cost and freight, but a decline started on that date, reaching 5.88 in October and 4.90 cost and freight, present price, thus showing a decline of 1.85 cents from August to December, notwithstanding the greatest scarcity of sugar the world has ever known.

CZARNIKOW RIONDA Co.

From that it will be seen that the Rionda Co. sold to the United States 1,137,300 tons at 4.40 cents per pound f. o. b. Cuba, and sold to Europe 617,700 tons at 4.30 cents per pound f. o. b. Cuba. The total sales amounted to 1,755,000 tons, a very large part of the crop.

I now read the telegram from the Cuban American Sugar Co.:

EXHIBIT No. 85.

NEW YORK, N. Y., *11.45 a. m., December 21*

HON. JAMES A. REED,
Chairman Senate Committee on Manufactures,
Washington, D. C.:

Replying to your telegram, this company sold during 1917 raw sugar as follows: To United States approximately 94,000 tons, at 4.07 cents per pound. To Europe 196,000 tons, at 4.19 cents per pound. In Cuba 35,000 tons, at 4.3 cents per pound. These prices are all average f. o. b. Cuba.

THE CUBAN AMERICAN SUGAR Co.

Mr. ROLPH. Those figures of the Rionda Co. check with the figures I gave you of $4.36 and $4.45.

The CHAIRMAN. But they do not check with your figures of $6.23.

Mr. ROLPH. No.

Mr. LODGE. Averages can be made very easily. You might take 100 tons and put it at a price, and 100,000 tons the next month at a low price, and then you can get a very misleading result.

The CHAIRMAN. I think these two telegrams which I have just read come pretty near to fixing the price of Cuban sugar.

Senator JONES. Mr. Rolph, you have just heard read telegrams showing the actual sales of Cuban sugars to the United States and to Great Britain during the present calendar year, and it appears that the bulk of those sugars were perhaps sold in the early part of the present calendar year; but what was the price in the American market of Cuban sugar at the time this agreement was entered into?

Mr. ROLPH. Seven cents.

The CHAIRMAN. That included what?

Mr. ROLPH. It included the f. o. b. price. Cuba, plus freight and plus duty.

Senator JONES. And how much would that price have been in Cuba?

Mr. ROLPH. Five seventy.

Senator JONES. Five seventy against 4.07 mentioned in one of these telegrams here.

The CHAIRMAN. May I ask how much sugar you say there was in Cuba at the time that high price was reached of 5.70?

Mr. ROLPH. Raw sugar went up to 7.52.

Senator JONES. In the United States?

Mr. ROLPH. In the United States.

Senator JONES. Now, deducting duty and freight, how much would that be, f. o. b. Cuba?

The CHAIRMAN. When did it go up to that?

Mr. ROLPH. In August.

The CHAIRMAN. That was before the contract was made?

Senator JONES. Surely.

Mr. ROLPH. It was in August and September.

The CHAIRMAN. The point I am asking is in October, if the Senator will pardon me for breaking in. When you say you had arrived at a price of—what was it at the time the contracts were made—4.60? What was the price in October at the time the contracts were made?

Mr. ROLPH. The contracts were made in September and in August.

The CHAIRMAN. Oh, no; the contracts were made October 1st.

Mr. ROLPH. They were dated October 1.

The CHAIRMAN. At that time what were the prices?

Mr. ROLPH. They were going into effect, and what happened here, in order that you may understand this chart better, about the 25th of October I cabled to the Royal Commission in London——

Senator JONES. Do you mean the 25th of October?

Mr. ROLPH. Of August—and requested them to withdraw from the Cuban market. I requested the Canadian Government to withdraw from the Cuban market. and also requested the American refineries so that there were no buyers for Cuban sugar, and that was the cause of this decline. Otherwise it would have gone on up.

Senator JONES. Then, when you first began——

The CHAIRMAN. Won't you let him answer me, how much sugar there was in Cuba on October 1, when this agreement was made?

Mr. ROLPH. On October 1 there was probably 62,000 tons on hand in Cuba, 21,000 tons of which were owned by United States refiners and 11,900 tons owned by Europeans, leaving 29,000 tons, or thereabouts, unsold.

The CHAIRMAN. Will you kindly let me have that paper you are reading from, so that I may copy it?

Senator LODGE. That is all that was left of a crop of 3,000,000 tons? All of the rest had been sold previously.

Mr. ROLPH. That is an estimate.

The CHAIRMAN. But it is the best estimate that you can make.

Senator JONES. How much more sugar than that was in Cuba on the 1st of August, or what was the amount remaining in Cuba on the 1st of August?

Mr. ROLPH. I shall have to look up those statistics.

The CHAIRMAN. What was your answer to that question before the last, as to the amount of sugar on hand unsold in Cuba October 1?

Mr. ROLPH. I shall have to get the statistics.

The CHAIRMAN. You have here on this paper which you handed me the amount unsold September 29 at 56,000 tons.

Mr. ROLPH. Yes. The total amount in Cuba was 132,000 tons on September 15.

The CHAIRMAN. And on September 29 under the column "Unsold." 56,000 tons. May we not put this table in there as your estimate? Who made this table for you that you testified from a moment ago, and which I hold in my hand?

Mr. ROLPH. That statement was prepared in the New York office of the International Sugar Committee, and I do not know just who prepared the figures.

The CHAIRMAN. You thought it reliable enough to quote it as a memorandum when you were testifying?

Mr. ROLPH. Yes.

The CHAIRMAN. You regard it as reliable?

Mr. ROLPH. I do not regard any statement as to the amount of sugar in Cuba as reliable, because at best it is a guess.

The CHAIRMAN. You used the particular paper a few moments ago as a memorandum from which to testify?

Mr. ROLPH. I just read from this paper; yes.

The CHAIRMAN. Did you read from it as a thing that was worthy of some weight or not? Is it, in your opinion, worthy of any weight?

Mr. ROLPH. I would say that it is nothing more or less than a guess as to the amount on hand in Cuba, but it is as good as any other statistics.

The CHAIRMAN. Were you guessing a moment ago when you testified from it?

Senator JONES. The witness has not stated that he testified from it.

The CHAIRMAN. I saw him testify from it.

Senator JONES. You saw him look at it.

The CHAIRMAN. I heard him read the figures. We ought not to be in dispute about this matter.

Senator JONES. The figures you just read are not the figures he gave, therefore he could not have been reading from it.

The CHAIRMAN. He made a mistake in reading his figures, I thought. The figures are on that paper, and I think he read the wrong column, and I am trying to straighten it out. Mr. Rolph, a moment ago, when you testified and gave us these figures on Cuba, you had this paper in your hands?

Mr. ROLPH. Yes.

The CHAIRMAN. And you endeavored to testify from that paper?

Mr. ROLPH. I was reading from this paper; yes.

The CHAIRMAN. You thought it reliable enough to submit to us the facts as there stated?

Mr. ROLPH. Yes; from this paper. I do not vouch for those figures.

The CHAIRMAN. Very well, let us put the paper in evidence. It is at least admissible to show what the witness testified from. It is singular there should be any objection to putting any paper in evidence from which a man testifies.

(The paper referred to is as follows:)

EXHIBIT No. 86.

Estimated sugar on hand in Cuba.

	On hand.	Owned by United States refiners.	Owned by Europe.	Unsold.
	Tons.	*Tons.*	*Tons.*	*Tons.*
Sept. 15	132,879	45,000	45,000	42,000
29	112,060	35,000	21,000	56,000
Oct. 13	62,168	21,000	11,900	29,000
27	35,353	11,000	9,000	15,000
31	31,971	5,000	8,000	18,000

Senator JONES. Have you the figures as to the amount of sugar in Cuba on August 3?

Mr. ROLPH. Those are the only figures that I have in reference to stocks on hand in Cuba. On September 17 I wrote a letter to the refiners, in which I stated that the best estimates would indicate that there are 40,000 tons or less.

Senator LODGE. That was the sugar that commanded that very high price.

Senator JONES. I will ask you to state whether or not the price of raw sugar in August and September and in October, regardless of the supply of raw sugar, was the basis upon which sugar went to the consumer in the American market at those times.

Mr. ROLPH. Yes; it was.

The CHAIRMAN. You mean the ultimate consumer?

Senator JONES. I mean the trade, and from the trade to the ultimate consumer. It was the basis of the price at which sugar went to the consumer. Now, then, what was your price in August of this year, when you first began to deal with the subject?

Mr. ROLPH. It was 7.52—from 7 cents to 7.52 cents. It ran up to 7.52, and refined sugar in that same month went to 9.15.

Senator JONES. That is, 7.52 in the American market?

Mr. ROLPH. Yes.

Senator JONES. What would that be f. o. b. Cuba?

Mr. ROLPH. About 6.22.

Senator JONES. What did you do when sugar was at that price, and what happened to the price?

Mr. ROLPH. There was a comparatively small amount of sugar left unsold of the Cuban crop, and if it had been left unrestrained it would have kept going up to almost any limit, and it became necessary to restrict it in some way or other. Consequently the negotiations with the beet people were undertaken in order to try to hold the situation in line, and at the same time I asked the royal commission if it would not withdraw from the Cuban market. I also requested the American refiners who were buyers of the sugar at the time if they would not voluntarily withdraw from the Cuban market, and requested them to reduce their bids. As a result of that request the English Government did withdraw and the American refiners did not buy; but Canada unfortunately continued buying in the market until some time in the early part of October, with the result that the price dropped from 7.52——

Senator JONES. In the American market?

Mr. ROLPH (continuing). In the American market, to $6.90, duty-paid basis.

Senator LODGE. But no sugar coming in?

Mr. ROLPH. No; but there was a considerable proportion of Hawaiian sugar coming in and other sugars that came from other sugar-producing centers.

Senator JONES. And the price of the Hawaiian sugar was based upon this price of the Cuban sugar?

Mr. ROLPH. It was.

Senator JONES. So the price of the Hawaiian raws went down with the price of Cuban raws?

Mr. ROLPH. They went down from $7.52 to $6.90, as shown by this line.

Senator JONES. I understand, Mr. Rolph, that you have not the exact purchases of sugar of each of these refiners during the present calendar year, nor the quantities which were sold at the given prices during the calendar year; but you have here a chart which, I understand, does show during the period of time from January 1 to October 1, or down to the present time, the price of raw sugar and the price of the refined sugar as sold upon the market by the refiners; and does this show the differential which the refiners made during this period of time?

Mr. ROLPH. Yes; it does.

Senator JONES. For the want of a better basis, I will ask you if you have the average differential of these different refiners for the calendar year so far as it has gone?

Mr. ROLPH. Based on the figures that the chairman has just read, which were 4.76 for the large amount, cost and freight would be 5.78 duty-paid—about there [indicating].

Senator JONES. At the beginning of the year?

Mr. ROLPH. The average for the year.

Senator LODGE. Do you mean that is the average at which the refiners sold?

Mr. ROLPH. Taking the average price the chairman just read from the telegram of 4.76.

Senator LODGE. But that is not the price at which the refiners sold?

Mr. ROLPH. No; these are the prices at which the refiners sold [indicating].

Senator LODGE. That is what I thought. This is the price at which they got it?

Mr. ROLPH. They got it at that price.

Senator JONES. Yes.

Mr. ROLPH. And that line, carried across, would show you the margins if that was the average. The average price that the California and Hawaiian Sugar Refining Co. paid for sugar this year, which was after a deduction of 25 cents had been made from it, was——

The CHAIRMAN. Senator Jones, if you will pardon the suggestion, perhaps he can tell us what the differential for his home company was.

Senator JONES. I will get it afterwards.

The CHAIRMAN. As for these figures he is now giving, the basis is false.

Mr. ROLPH. It was 5.874. The actual net price that the California and Hawaiian Sugar Refining Co. paid was 5.874, to which should be added 25 cents, which shows that the basic price that that company paid for sugar during the year was 6.124 cents per pound.

Senator JONES. $6.12 per hundred pounds?

Mr. ROLPH. Yes, sir. That is, it bought it on that basis.

Senator LODGE. Six cents a pound or $6 a hundred pounds.

Senator JONES. Then, if your price was based upon the New York price, what caused your company to pay more for its sugar than these prices given here for the Cuban sugar?

Mr. ROLPH. Probably because on account of the contracts which these companies have, where the provisions in the contract are that the sugar shall be taken on the basis of the New York market price of sugar based on the average of 10 days before the arrival of the sugar, that sugar arriving—some of it, as I testified this morning, which left San Francisco on September 8 has not arrived yet—will take the certain prices averaged on 10 days; and so the average of all that price up to date represents 6.125, the way the Hawaiian sugar happened to come in.

Senator JONES. Then that shows that the parties who bought the Cuban sugars contracted for them at a price which, on the average, was less than the price of the sugar at the time of the delivery of the sugar, does it not?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. I do not think that deduction follows. Of course, you can ask the question if you please; it is your privilege, Senator.

Senator JONES. It strikes me that it demonstrates that. Of course, anyone has a right to take a different view of it.

Mr. ROLPH. For instance, as I testified this morning, the sugar that we had on hand here on the 1st day of October actually cost over 7 cents net.

Senator JONES. Then does not that also show, Mr. Rolph, that taking the year 1917 as a whole there was a gradually rising market so as to actually increase the price of raw sugars between the time the contracts were made and the time of delivery?

Mr. ROLPH. There is no question about that, because the sugar is always bought before delivery, and this line shows the gradual increase in the price of the raw sugar.

Senator JONES. This line shows the delivery prices, does it not?

Mr. ROLPH. The duty-paid price.

Senator JONES. Now, coming back to the original proposition. I will ask you this question: While the sugar crop of Cuba is generally grown within a comparatively few months and the bulk of that sugar purchased and put upon the market in much larger quantities early in the season, and so on, yet is it not a fact that the refiners continually grind from the time they start in upon the Cuban crop until the crop is practically exhausted, and that the output of the refiners to the American market is substantially uniform in quantity? Is that the fact or not?

Mr. ROLPH. Sometimes, with normal crops, the refiner buys the sugar in Cuba and has it shipped as opportunity offers and keeps his refinery running continuously during 11 or 11½ months. If there is a short crop or a delay in shipping or trouble in getting the sugar there, the refinery must close down at very great expense to the refining plant.

Senator JONES. But how was that, as a matter of fact, in America during the present calendar year? At the beginning of the present calendar year did the refiners generally, except for that little period of strike that has been referred to, commence their operations, or were they engaged in the operations the first of the year, and did they practically continue uniformly until along in September or October, when they finally closed down?

Mr. ROLPH. They did.

Senator JONES. So the output of the refiners in the American market was substantially uniform from the 1st of January until in October, when they closed down?

Mr. ROLPH. I should say it was.

Senator JONES. You have the average price, have you not, at which the refiners sold their product?

Mr. ROLPH. On account of the great demand for sugar this year the average price of each different refinery will have to be considered separately.

Senator JONES. I see.

Mr. ROLPH. In most years the refiners' prices run along approximately the same lines.

Senator JONES. I see.

Mr. ROLPH. But it is impossible to take a line like this [indicating] and compare it with a line like that [indicating] and make an average of all of them.

Senator JONES. Let us take this line, which seems to be unbroken here. What is that—a black line?

Mr. ROLPH. That is a black line.

Senator JONES. A black line. Let us take the concern represented by that black line——

Senator LODGE. That is the American Sugar Refining Co.

Senator JONES. That is the American Sugar Refining Co., and I will ask you to state what was the average selling price of that concern during the year from January up until the 1st of October

That is when the break seems to have come. That is when the agreement was entered into.

Mr. ROLPH. I can not vouch for these figures, because they were taken from the chart; but——

The CHAIRMAN. I do not think they ought to be given if you can not vouch for them.

Senator JONES. The chart was checked by Willett & Gray, was it not?

Mr. ROLPH. That chart was checked by Willett & Gray.

The CHAIRMAN. We have already, Senator Jones, developed the fact that this chart represents not the actual price of sugars measured by the quantity of sugars, but——

Senator JONES. I have specifically brought that out.

The CHAIRMAN. Just a moment, if you will be patient with me—but that it represents an average of prices from day to day without regard to the amount handled. Now, then, the figures that he gives there have been taken from this chart, and it seems to me they do not tell us the average price at which sugar was sold in the market.

Senator JONES. In order that any reader of this record may not be confused, I wish to say that I have shown by this witness that these refiners were in continual operation from the 1st of January down to the 1st of October, and that their output was uniform, or practically so, substantially so, and that this chart shows the variations in prices for different periods of time working upon a constant supply, and therefore would tend to establish an average price at which these sugars were sold.

The CHAIRMAN. Since you are putting in a statement for the record, let me say that the witness himself says that the figures he has before him were taken from this chart, and he does not know anything about the chart except that another man made it for him; that he does not know the amount of sugars that were sold at any particular time at any particular price; that the statement of Senator Jones to the effect that the evidence shows that the factories were in constant operation is in my judgment—I say it with all due respect—inaccurate——

Senator JONES. I said "substantially," leaving out the period of strike.

The CHAIRMAN. And, moreover, the amount they were manufacturing is not shown, except that it was variable; and then none of those facts shows what these refiners paid for the sugars which they refined, nor when they bought them.

Mr. ROLPH. These figures that I now read have been checked by Willett & Gray, and they represent the net selling price of the various refiners during the year.

Senator LODGE. The net selling price?

Mr. ROLPH. The net selling price, refined price.

Senator LODGE. For granulated.

Senator JONES. Now state what that was for the American Sugar Refining Co., this black line here, up to the 1st of October.

Mr. ROLPH. 7.409 cents per pound.

The CHAIRMAN. That is the American Sugar Refining Co.

Senator JONES. If those sugars were purchased at the prices read here from these telegrams, how much of a differential would there have been?

Mr. ROLPH. $1.629.

Senator JONES. $1.629.

The CHAIRMAN. Now, may I call attention to the fact that Mr. Babst testified that his differential was $1.21?

Senator JONES. I have no objection to that at all.

The CHAIRMAN. That just simply shows how foolish it is to take these guesses, if Mr. Babst was right; that is all.

Senator LODGE. Mr. Babst is the president of the company that is in question here.

Senator JONES. It seems to me that it is not foolish to do a thing of that sort.

The CHAIRMAN. I mean, of course, how innocuous it is, how fruitless it is.

Senator JONES. On the other hand, if the differential which Mr. Babst gave as the differential of the American Sugar Refining Co. is accurate, it would tend to show that the sugars which he actually purchased in the Cuban market, with the variations in price, would have been above the average stated in these telegrams read by Senator Reed.

Senator LODGE. It would have been more satisfactory if Mr. Babst's figures and Mr. Rolph's figures had been arranged to agree.

Senator JONES. I will ask you, Mr. Rolph, what was the average price of Cuban sugars, according to this chart, between the 1st of January and the 1st of October of this calendar year, assuming that the delivery of the sugars was substantially uniform during that period of time?

Mr. ROLPH. I have not that figure up to that time. For the year to about the middle of December it was $6.23. [After a pause.] Willett & Gray give the average price of raw sugar from January 1 to December 14 as $6.23 7/10, duty paid. That is, to December 14.

Senator JONES. Well, now, taking that as the average price——

Mr. ROLPH. That is $5.78, duty paid.

Senator JONES. Taking that as the average price of the raw sugar and the other figure as the average price of the refined sugar, what differential results?

Mr. ROLPH. $1.62 8/10.

Senator JONES. What is the difference between that $1.62 8/10 and the $1.30 differential which the refiners have agreed upon?

Mr. ROLPH. Thirty-two and nine-tenths cents per 100 pounds.

Senator JONES. That would in a way represent the average differential, would it not, of all the refiners? No; that is of the American Co.

Mr. ROLPH. That is of the American Co.

The CHAIRMAN. Where have we gotten—$1.62?

Mr. ROLPH. $1.62 8/10, on these figures. The blue-line figures of actual cost, or the cost of the C. & H. Co., are $5.874.

The CHAIRMAN. And of the American, what are they?

Mr. ROLPH. The American we figured at $5.78; and although we buy our sugars at 25 cents a hundred pounds less than the New York market price, it appears that we have actually paid a higher price than the New York market price for the sugar.

The CHAIRMAN. How did you come to do that when you were dealing with yourselves? Was there anybody interested——

Senator JONES. I will just state, in order to shorten it, that that has been explained; that their contract provides that they shall pay that on the basis of the New York price in advance of delivery, 10 days in advance of delivery, and the difference amounts to more than that on an advancing market.

The CHAIRMAN. Let me ask, Senator Jones, since we are going into explanations, if you think that the price that the man pays to himself is of any use in the world for any purpose?

Senator JONES. I think it is, if that price he pays to himself is based upon the transactions of other people.

Mr. ROLPH. It is a separate industry.

The CHAIRMAN. Of course, separate corporations. So did Poo Bah hold the job of Lord High Executioner and several other places; but he was the same individual.

Mr. ROLPH. But the other refinery that is buying in the same market and the same place is buying on practically the same terms, so far as I know.

The CHAIRMAN. The question of the price of sugar in the market is a different thing, and that other refinery has its prices, and its prices follow yours, do they not? You control 80 per cent, and they take the rest, and they have to follow your prices?

Mr. ROLPH. No; not necessarily.

The CHAIRMAN. They do, and have for years.

Mr. ROLPH. Of course, naturally, all these have followed for years. It can not be otherwise.

The CHAIRMAN. The Hawaiian sugar business is in the grip of two great organizations, for all practical purposes——

Mr. ROLPH. Not at all.

The CHAIRMAN. One is the Factors Co., which controls 80 per cent, and the other 20 per cent of the sugars are sent to the Great Western or to you?

Mr. ROLPH. They sell them all to the Western Sugar Refining Co.

The CHAIRMAN. They have one place to sell?

Mr. ROLPH. The Western Sugar Refining Co. does not get their entire sugar supplies from Hawaii.

The CHAIRMAN. But they are the entire market from that particular place?

Mr. ROLPH. They buy from Peru and also from Manila. [To Senator Jones.] The American figure is $1.629.

Senator JONES. What was the differential of the Federal, figured on the same basis?

Mr. ROLPH. $2.08.

Senator JONES. The difference between that $2.08 and the $1.30 differential arranged by this agreement is how much?

Mr. ROLPH. 78.1 cents.

Senator JONES. What was the output of the Federal Co. during this year?

Mr. ROLPH. The figures that they turned in as the estimated melt for this year are 325,557 tons.

Senator JONES. That quantity of melt and the excess differential you have just stated, figured how much excess profit above this agreed differential the Federal Sugar Refining Co. made on that basis of calculation?

Senator LODGE. Would you not proceed with them as you proceeded with the others—find out what their differential was?

Senator JONES. Yes; I will.

Senator LODGE. I would like to get what their differential was.

Mr. ROLPH. Based on these figures, $2.081.

Senator LODGE. What was the reduction when you fixed it at $1.30?

Mr. ROLPH. The difference between the $2.08 and the $1.30 is 78 cents.

Senator LODGE. Then the sacrifice that was made by the Federal was no larger than yours, or as large as yours?

Senator JONES. Much larger.

Senator LODGE. How so? He said 78 cents for his own company.

Mr. ROLPH. The Senator has not asked me about my own company.

Senator LODGE. What was the second company you inquired about, Senator Jones?

Senator JONES. That was the American.

Senator LODGE. That was the first.

Senator JONES. This is the second.

Senator LODGE. What was that one you asked about?

Senator JONES. Sixty-six something.

Senator LODGE. No.

Mr. ROLPH. $1.629.

Senator LODGE. You have had one in between, which I understood was this one here.

Senator JONES. I have not reached that yet.

Senator LODGE. I will ask the stenographer to read back.

The CHAIRMAN. He discussed the Blue Line Co. at some length, but whether he gave the figures, I do not know.

Senator LODGE. There was a second one given, showing $2.08. Or was that a simple repetition?

Senator JONES. It is the same one.

Senator LODGE. The same one shown twice?

Senator JONES. The same one.

Senator KENYON. Figured a different way?

Senator LODGE. Then the amount that was sacrificed on the differential by the Federal Co., when they agreed to $1.30, was much larger than that sacrificed by the American Sugar Refining Co.? I want an answer to my question.

Mr. ROLPH. The reduction of the price that was brought about by this agreement on $1.30 was 78 cents in the case of the Federal, and 32 cents in the case of the American.

Senator LODGE. Yes. Then it was a much heavier loss to the Federal than it was to the American and that is a much heavier sacrifice.

Mr. ROLPH. I would not consider that so.

Senator LODGE. Would you not consider it a larger loss? You would not consider 78 larger than 32?

The CHAIRMAN. Not for the purposes of this case.

Senator LODGE. Not for the purposes of this inquiry. I think we will leave it there. I do not think we need any more, Mr. Rolph.

Senator JONES. I think the difference is in the use of the word "sacrifice." It may be that to some there is very little sacrifice in reducing an exorbitant profit.

Senator LODGE. We have the patriotism of the American Sugar Refining Co. rather forcibly impressed on our minds.

Senator VARDAMAN. May I ask you the cause of the antipathy toward the Federal Refinery on the part of your company and the American Refinery? What is the cause of that?

Mr. ROLPH. I never had the slightest antipathy in the world to Mr. Spreckels until he started to attack the Food Administration and myself recently.

Senator VARDAMAN. Really, there is a feeling of hatred or dislike which it seems to me has been manifested. I did not know the cause of it. I am rather glad of the disagreement. I think just men will get their dues now.

Mr. ROLPH. Could you sit here and listen to what Mr. Spreckels said about you, impugn your motives, when the price my company has charged for sugar to the American consumer, trying to meet Mr. Hoover's views, dropped from $8.35, that we could have sold the sugar at, to $7.25, when I knocked down that price of sugar and prevented the Hawaiian from getting the price of sugar away up here, and came into this room and heard him make the assertions and statements——

Senator VARDAMAN. I think you both have been rather liberal in your compliments.

Mr. ROLPH. I am sorry, but I must say I have felt very bitter.

Senator VARDAMAN. I must say I think you are both rather liberal with your compliments.

Senator KENYON. When do you think you will finish your testimony?

Mr. ROLPH. As soon as the gentlemen get through.

Senator KENYON. You think you will get through to-night?

Senator JONES. Now, will you please answer my last question?

(The stenographer repeated the questions as follows:)

Senator JONES. That quantity of melt, and the excess differential you have just stated, figured how much excess profit above this agreed differential the Federal Sugar Refining Co. made on that basis of calculation?

Mr. ROLPH. Over five millions of dollars.

Senator KENYON. What is that, Mr. Spreckels's profit?

Senator JONES. That is what we may term Mr. Spreckels's excess profit.

Mr. ROLPH. Based on these figures, it figures out $5,075,500.

The CHAIRMAN. Let me ask you a question: If you do not know that those figures are absolutely false and misleading, if you do not know it. (After a pause.) It is taking a good while to answer that question.

Mr. ROLPH. I will say that the figures that are prepared—these figures—were prepared in New York. These particular figures were prepared in New York from a chart similar to this, and it showed that the price the California-Hawaiian Sugar Refining Co. in San Francisco was 7.378, and I telegraphed out to find out what the exact figure was, and it was 7.37. So it is a very close calculation.

The CHAIRMAN. I will ask you if you know the output of the Spreckels factory, the Federal?

Mr. ROLPH. I am giving you the statement that the Federal Sugar Refining Co. turned in to the Food Administration.

The CHAIRMAN. I am asking you, now, if you do not know that these figures, made up in that way there, are utterly unreliable?

Mr. ROLPH. No; I do not know that they are utterly unreliable.

The CHAIRMAN. Do you believe them to be reliable, or are you willing to swear that, according to your best judgment, those figures are substantially correct that you have given?

Mr. ROLPH. Based on the figures here——

The CHAIRMAN (interrupting). No, leave out "based" and everything. If you have a false basis, that does not get us anywhere. I am asking you if you are willing to swear that, in your judgment, the figures you have just give are substantially correct?

Mr. ROLPH. I am willing to say that the price quoted in the telegram, which was $5.78, duty paid—the price of raw sugar—based on the average selling price as given by Willett & Gray, of——

Senator JONES (interrupting). As shown on this chart?

Mr. ROLPH. As shown, yes; approximately this line as you see it with the margin as $2.08; deduct from that $1.30, and it leaves a difference of 78 cents, or $15.62 a ton.

The CHAIRMAN. But, Mr. Rolph, I did not ask you that. You know that I am challenging the accuracy of the basis of these calculations that you are offering here now as an expert in the sugar business, and you are asked to give a conclusion here that is to go into this record, and go to this country, and you have proceeded along a certain line and reached a deduction assuming certain things to be true. Evidently you want that to go to the country as the fact.

Senator JONES. I will state to the chairman that Mr. Rolph did not request me to bring this out at all; I did it upon my own initiative, and I am responsible for bringing this into the record.

The CHAIRMAN. Very well. Now, I am asking the witness, who sits here as an expert familiar with the sugar business, if he is willing to say that, in his best judgment, the result which he has given, the profits which he says have resulted to the Federal Co., are accurate?

Mr. ROLPH. I think they are.

The CHAIRMAN. Very well. Now, I want the record to show that it has taken us at least 15 minutes to get the witness up to a point where he would say that.

Senator JONES. I think the record will show a very good reason why it took so much time.

The CHAIRMAN. Very well. I think it will.

Senator KENYON. Mr. Chairman, I have not said much, but I think we are making a great mistake to be trying Mr. Spreckels or to be trying these sugar companies. We have a specific work to do, and I do not see that we are getting anywhere. There is a coal inquiry to follow this that is of vastly more importance than all this, and we are just about where we started when we commenced that noon.

Senator JONES. If it is admitted by the committee that the action of these refiners in entering into this contract, and the action of the Food Administration in aiding and bringing about that contract, did result in a very great reduction in the price of sugar to the American consumer, then I do not care to pursue the subject any further.

Senator KENYON. How does the fact that Mr. Spreckels made $5,000,000 enter into that? What difference does it make?

Senator JONES. I wanted to show on some sort of basis the extent to which the consumers of this country had been relieved of the cost of sugar, the high price of sugar.

The CHAIRMAN. And you get at that by showing the differential that Mr. Spreckels's company made, and the profits that he made, instead of showing the price of sugar then and the price of sugar now.

Senator JONES. I am trying to get it in here actually for the purpose of inducing Mr. Spreckels to come in here and show what his actual transactions were.

The CHAIRMAN. I suppose there will be no difficulty about that.

Senator KENYON. If we are going to bring him back, we had better postpone this and take up the coal investigation.

The CHAIRMAN. Proceed with the witness.

Senator JONES. If the agreement which it is now proposed to enter into for the incoming Cuban crop is carried out, what would be the difference between the average price of raw sugar in the United States and the average price of that raw sugar during the calendar year 1917?

Mr. ROLPH. Based on the average duty-paid price for the year as given by Willett & Gray as $6.23, it will be less by about 24 cents. Based on the figures, as quoted by the chairman, of 4.40 Cuba, it will be 20 cents higher in Cuba.

Senator JONES. How much less will it be than the price of raw sugar in August, when you began to deal with the subject?

Mr. ROLPH. It will be at least a cent and a half lower than the August price.

Senator JONES. And how many tons do you expect to obtain from Cuba for this market during the present sugar year, that is, from October 1, this year, to October 1, next year?

Mr. ROLPH. Approximately 2,000,000 tons from Cuba. The figure here shown 2,105,000.

Senator JONES. The price for this sugar here is materially reduced from the price of the raw sugar as it was on October 1, is it not?

Mr. ROLPH. From October 1 until approximately this time it has been 6.90.

Senator JONES. And you propose to reduce it how much?

Mr. ROLPH. To just below 6 cents, or practically 6 cents.

Senator JONES. As against the price which was agreed upon for raw sugar for the latter part of the current calendar year, the price for the 1917–18 crop will be reduced nearly 1 cent per pound?

Mr. ROLPH. About 90 cents.

Senator JONES. And on the 2,000,000 tons how much would that reduction amount to?

Mr. ROLPH. About $40,000,000.

Senator JONES. Mr. Rolph, do you think it necessary to go into the question of the Louisiana transactions?

Mr. ROLPH. I do not think so.

Senator JONES. Is there anything else especially that you wish to say to the committee?

Mr. ROLPH. There was a statement about French sugar made here. I just want to say that that was a commercial transaction, and the French Government have released the sugar, by cable to this Government, to be replaced in January.

The CHAIRMAN. When did they release it?

Mr. ROLPH. There was a series of cablegrams starting in October.

Senator LODGE. When did they release it?

Mr. ROLPH. The final release came on November 28.

Senator JONES. Is there anything else you care to say to the committee?

Mr. ROLPH. I think not.

Senator LODGE. You caused this reduction of price, as you have testified to Senator Jones, but there was a great scarcity of sugar in certain places. This reduction was accompanied by what amounted to a sugar famine in certain places?

Mr. ROLPH. Yes, sir.

Senator LODGE. And you fixed the price for granulated?

Mr. ROLPH. I did not.

Senator LODGE. You regulated by agreement as to the price at which granulated sugar should be sold?

Mr. ROLPH. Yes. There was a voluntary agreement entered into.

Senator LODGE. Yes; a voluntary agreement that granulated sugar should be sold at a certain price.

Mr. ROLPH. Well, that they would not go beyond that price—not that that would be sold at that price, but that that they would not go beyond that price.

Senator LODGE. And then there was no sugar. At least, in the region where I come from there is no sugar. I saw the scarcity with my own eyes. Thousands of people could not get any sugar at all. And you think that was made up for by the lowness of price?

Mr. ROLPH. So far as the additional supplies are concerned, we bought all of the sugar that it was possible to buy, and it was brought to the United States beginning in September, because while the Government had absolutely no authority to buy or sell sugar, the refiners gave me authority to buy.

Senator LODGE. But the fate of the consumer in New England was that he had a low price and no sugar, which seems—well, it does not seem comfortable. I mean the satisfaction of a low price, when you can not buy anything, seems rather barren. Don't you think so?

Mr. ROLPH. It was very unfortunate.

Senator LODGE. That is all.

The CHAIRMAN. You say you got all the sugars you could, and yet there was an order issued stopping the refiners from buying sugar in Cuba, was there not?

Mr. ROLPH. Not an order, but a request.

The CHAIRMAN. A request, and they obeyed it, did they not?

Mr. ROLPH. Yes.

The CHAIRMAN. According to the figures you have given us, there were about 40,000 tons of sugar in Cuba, and about half of that was sold, or more, and only about 20,000 tons were left, and yet you tell us that if Mr. Spreckels had been allowed to go in and buy those sugars, that little lot of 20,000 tons or 40,000 tons, it would have put up the price of all the sugars there were in America to about 15 cents?

Mr. ROLPH. I think that might have happened, and quite likely would have happened.

The CHAIRMAN. Although Mr. Spreckels's proposition was, in words and figures, as follows:

We have been obliged to close our refinery and a thousand men will be out of employment unless we are permitted to supply ourselves with raw materials. The international sugar committee, who, under the agreement entered into with you, are to purchase all raw materials, will not pay more than $6.90 per 100 pounds for raw sugar, and are, therefore, unable to supply us. We would gladly pay more for our raw materials and agree not to advance our price for refined sugar.

You think if Mr. Spreckels had gone out and bought some sugar and then had not advanced the price of refined sugar in the market that that would have put the price of all the refined sugar in the world up to 15 cents?

Mr. ROLPH. I am positive it would have put the general market price of sugar up.

The CHAIRMAN. Although at that time—on October 19, when this telegram was sent—there were approximately on hand—or at least between that time and the 15th of December—in Colorado 107,000 tons, and the Spreckels Co. in California had 31,000 tons; the Utah Co. had 71,000 tons; the Michigan Sugar Co. 9,000 tons; the American Beet Sugar Co. 22,000 tons—using round numbers—making a total of beet sugar produced up to December 15 of 241,602 tons; and in addition to that the Western Sugar Refining Co. handled from September 1 to December 14, 60,000 tons, and the California & Hawaiian Sugar Co. handled 67,000 tons, and there were necessarily in the United States very considerable stocks scattered throughout the country—and yet you say that if Mr. Spreckels had gone into the Cuban market and bought that little lot of 20,000 tons of remaining Cuban sugar, at a price so that he could have afforded to refine it and sold it without advancing the price of sugar 1 cent, that would have put the price of all this output of sugar up to 15 cents. That is your opinion?

Mr. ROLPH. No; it is not my opinion.

The CHAIRMAN. That is just what you said, is it not?

Mr. ROLPH. The facts are these, that when I requested these people to withdraw from the market Mr. Jamison, of the Arbuckle Co.——

The CHAIRMAN. Oh, wait. Do not let us get two things in together. I am discussing your statement that if Mr. Spreckels had been allowed to go into the market at the time he proposed and pay the prices he proposed it would have put the price of sugar up to 15 cents. His proposition is contained in this telegram that I just read. It has no relation and has nothing whatever to do with the August transaction. The telegram is dated October 19.

Mr. ROLPH. Yes.

The CHAIRMAN. I want to know what you say.

Mr. ROLPH. The purchase of all of the sugar was being arranged for and it was actually brought into this country.

The CHAIRMAN. At what price?

Mr. ROLPH. $6.90.

The CHAIRMAN. Then there would not have been anything there for Mr. Spreckels to buy?

Mr. ROLPH. It was not all brought in by October 19.

The CHAIRMAN. How much was left? You had arranged for it. How much was going to be left for him to buy?

Mr. ROLPH. A very small amount.

The CHAIRMAN. What was the size of that amount?

Mr. ROLPH. On the 9th of October there were probably 25,000 tons there.

The CHAIRMAN. I am asking you now if Mr. Spreckels had bought those 25,000 tons at a price so that he could have afforded to have manufactured it and put it on the market without raising the price of refined sugar a penny——

Mr. ROLPH. But Mr. Spreckels could not have done that.

The CHAIRMAN. But he offered to do it. Could he not stand the loss?

Mr. ROLPH. It was my judgment against his, and I think my judgment was backed up by every refiner in the United States.

The CHAIRMAN. Mr. Spreckels made a proposition to do it, and I am asking you if Mr. Spreckels had carried out that proposition if you still say to this committee that the price of sugar would have gone to 15 cents?

Mr. ROLPH. I think it would have gone to almost any point.

The CHAIRMAN. You are about as certain of that as you are of any of these opinions that you have given us, are you?

Mr. ROLPH. That is my commercial judgment, that giving Mr. Spreckels permission to buy that sugar would necessarily mean that every refiner had to have the same permission.

The CHAIRMAN. But if every refiner had had that permission, and all 21 refiners had gone in each of them against the others for 20,000 tons of sugar, and on which they would agree as Mr. Spreckels did not to raise the price——

Mr. ROLPH. They would not have had any more sugar than was brought in.

The CHAIRMAN. I am asking you about raising the price to 15 cents. You are standing here before the American people to-day practically saying to them that you rescued them from the calamity of paying 15 cents a pound for all their sugar up to this time by preventing Mr. Spreckels from buying 20,000 tons of sugar and refining it and selling it at the same price that sugar was selling for at that time, and your judgment on that is just as firmly fixed as it is on any matter of opinion that you have expressed, is it not, Mr. Rolph?

Mr. ROLPH. That is my commercial opinion.

The CHAIRMAN. Now I am going to ask you——

Senator JONES. Now, let me break in and assume some of the courtesies that the Chair assumed.

The CHAIRMAN. I hope, Senator, you did not think I was discourteous?

Senator JONES. Oh, no, indeed.

Mr. ROLPH. Will you please state why you reached that conclusion?

The CHAIRMAN. He has already been over that.

Senator JONES. Oh, no.

The CHAIRMAN. Oh, yes. I am not going to say he can not answer; but there ought to be an end to everything.

Mr. ROLPH. If I had granted Mr. Spreckels permission to go into the market and pay a higher price than the price that was estab-

lished there of $6.90, I would have had to have given other buyers the same permission; and that would have meant that they would be bidding against each other. At the same time Canadian buyers would have come into the market and wanted to buy their proportion of this sugar; and knowing that there was a very small amount left in Cuba they would have been bidding up and bidding up and bidding up and bidding up, to get the sugar, to a point that it was a mere hazard as to where the price would go to.

The CHAIRMAN. You had already requested the British Government not to bid?

Mr. ROLPH. The British Government had been requested to stay out of the market, and it stayed out of the market.

The CHAIRMAN. That is a good deal like saying——

Senator JONES. I beg your pardon; just a question further.

The CHAIRMAN. Go ahead.

Senator JONES. And would that have had any effect on the price of other raw sugars and other sugars in this market?

Mr. ROLPH. It would have raised the price of all raw sugars coming into the market, because they would have been bidding indiscriminately for those sugars also.

The CHAIRMAN. You did not have to turn them loose indiscriminately on the other sugars. I am talking here about the one proposition—the sugars that Mr. Spreckels had said he wanted. Suppose that Mr. Spreckels had said that he would refine these sugars and sell them at the same price, and the opportunity had been opened to all refiners on the same terms granted to Mr. Spreckels, namely, that they were to go in and buy this little 20,000 tons of sugar, such of it as they got, and sell it to the people without raising the price of refined sugar above the quotations then existing; that would have produced chaos?

Mr. ROLPH. I do not want to bring Mr. Spreckels into this matter any more than I have to; but I am just considering what he would have thought and what others would have thought if I had granted the same to Mr. Babst, of the American Sugar Refining Co.

The CHAIRMAN. And to others?

Mr. ROLPH. No; to him exclusively.

The CHAIRMAN. Have you a table there which gives the range of prices by months and weeks for the years 1913, 1914, 1915, 1916, and 1917?

Mr. ROLPH. The range of prices?

The CHAIRMAN. Yes.

Mr. ROLPH. I have the Federal Trade Bulletin, that gives it by years.

The CHAIRMAN. Could you have prepared and sent up here tomorrow morning a plat which shows the range of prices by months, of sugar, for the years 1913, 1914, 1915, 1916, and 1917?

Mr. ROLPH. Yes; if I could have these tables back again, they are here.

The CHAIRMAN. Showing them in parallel lines?

Mr. ROLPH. Do you mean like this [producing table]?

The CHAIRMAN. All I want is these lines [indicating]. That is what I want. This is 1913, and can you give me a table for 1914?

Mr. ROLPH. Yes; here is one for 1914.

The CHAIRMAN. Yes.

Mr. ROLPH. And here is the period when the war started [indicating on table].

The CHAIRMAN. Is that for a whole year, now?

Mr. ROLPH. Yes, sir. Here is the table for 1915.

The CHAIRMAN. Why, we have them right here, have we not? You can let us have these, can you not?

Mr. ROLPH. Yes; certainly. I would like to have them back after you get through with them, because they are the only copies we have

The CHAIRMAN. You can get a copy from this. These are original prints. They can be blue printed, can they not?

Mr. ROLPH. I do not think so.

The CHAIRMAN. You have handed me a map similar to the ones you have been using, showing the line of prices for the year 1913. I call your attention to the fact that sugar, starting in January of that year at $5.10, had run down during the month of June to $4.60, and that it went up in the month of August to $5 and in the month of September to $5.10. I call your attention to that.

Mr. ROLPH. Yes.

The CHAIRMAN. What is that blue line that I have been following?

Mr. ROLPH. That is the San Francisco price of refined sugar.

The CHAIRMAN. The San Francisco price of refined sugar. Where is the raw-sugar price?

Mr. ROLPH. Here is the raw-sugar price [indicating on chart].

The CHAIRMAN. Then let me go back to that. The raw sugar starts in in January at $3.70, drops during the months of January and February below $3.50, and runs along up and down, but in the months of August and September it reaches the high point, does it not?

Mr. ROLPH. Yes.

The CHAIRMAN. It fell off in October, rose a little bit in November, and dropped in December?

Mr. ROLPH. Correct.

The CHAIRMAN. That line is very much like the line of 1917, is it not?

Mr. ROLPH. Yes; but——

The CHAIRMAN. Well, now, just wait. That is a fact. Now we will take 1914; 1914, taking the raw sugars, starting in the month of January, they started in at $3.30. They rose a little bit in February. They dropped in March and a part of April. They rose in May and June, and then in August, war having been declared or for some cause or other, they rose to $7.50. That is correct, is it not, for a part of the month of August [indicating on chart]?

Mr. ROLPH. No; this is the raw-sugar line [indicating].

The CHAIRMAN. Very well. They rose to $6.50; and that was only for a few days, was it not, and then they dropped?

Mr. ROLPH. Yes.

The CHAIRMAN. They went up a little in September and fluctuated and then dropped and came down in the month of October, when they were very materially lower, and in the month of November still very much lower, and in the month of December they had risen a little and had reached the 4-cent point. That line showed the same kind of a rise, or a corresponding rise, of August, and a corresponding reduction with the lines that you drew on your map and which

ou claimed were caused by the acts of the Food Commission, does it ot? Is not that true?

Mr. ROLPH. Well, it has dropped in those months.

The CHAIRMAN. Then it drops; then it rises about the same time nd drops about the same time, although there was no food control.

Now, we will take 1914. We will begin again, taking the line of aw sugars starting in at January. They were approximately four. In the month of February they had risen, and in March, running long through June and July they had gone up to about $4.95, and n the month of August they stayed at $4.95, and in the months of September and October they had a decided drop, did they not?

Mr. ROLPH. Yes.

The CHAIRMAN. Just as your line that you have produced for the year 1917 shows a drop after August, by virtue of your interference?

Mr. ROLPH. Yes; after the 1st of October.

The CHAIRMAN. Does it not show a rise after August?

Mr. ROLPH. No.

The CHAIRMAN. Did you not do any good in August? I thought you did a lot of good in August.

Mr. ROLPH. Raw prices.

The CHAIRMAN. That is what I am talking about, raw prices. Now, that line shows a drop of raw prices in August and September [indicating] and this line shows a drop exactly like it; this shows a drop [indicating]? That is true, is it not?

Mr. ROLPH. That is true. There is a drop in that month. But wait a minute; we are drawing a wrong conclusion. After the drop of October it rises very rapidly in November and December. It rises from $3.75 in October to $5.35 in December.

The CHAIRMAN. And that map shows that was only for two or three days, does it not, as it immediately dropped and finished the year down in the neighborhood of $4.55?

Mr. ROLPH. Correct.

The CHAIRMAN. Yes.

Mr. ROLPH. But considerably higher than the August to October drop.

The CHAIRMAN. There was a drop there for some reason; we do not know what it was. Now, we will take the year 1916, and we will start in in January with the raws at $4.70. There was a drop in that month to $4.50, and then they rapidly mounted until in the month of May they had gotten up to $5.40; according to this map, a little above that. Then they fell. Then in June they varied up and down, and in July. Then they took a tumble in August, did they not?

Mr. ROLPH. Yes.

The CHAIRMAN. But they went up again in October; that is correct, is it not?

Mr. ROLPH. That is right.

The CHAIRMAN. And then they went down again in December—the latter part of November and December there was a marked drop—getting down to $5, which was very close to the initial point of the year before. So that, now, you take all these maps, and I think the next one that we ought to take in connection with this is your map for 1917, which is on the same scale, and as a matter of fact the distinguishing features between these maps is this, that when

there was no Federal control sugar reached a high point and then reached a low point, a point, generally speaking, down nearly where it started in at the first of the year; and if we look at this map showing what happened after you had taken control, down here, we find that sugar, while it dropped from the high point, did not drop as far as it did on these other maps, and then reached a steady line.

Mr. ROLPH. But with one exception.

The CHAIRMAN. Of course, they are not identical, but taking them as a general rule?

Mr. ROLPH. And with a further drop, as notified in your telegram of to-day, to here before the end of December. [Indicating.]

The CHAIRMAN. Oh, no. Those figures I gave you in my telegram of to-day—you are in error about that. Those figures are the last year's figures. They are figures that these gentlemen compare with the crop of sugar that is now complete.

Mr. ROLPH. But this is the price as shown on this chart.

The CHAIRMAN. That is the average that they showed.

Mr. ROLPH. That is the price at which sugars are being arranged for to-day, duty paid.

Senator JONES. In other words, by adding that line you complete this chart for the year?

Mr. ROLPH. You complete the chart for the year, which shows the usual drop.

The CHAIRMAN. You were completing that chart when you drew that line down to next year's sugars and not this year's sugars?

Mr. ROLPH. I do not know. This is in December. [Indicating.]

The CHAIRMAN. You understand, now, that the prices you are talking about now, indicated by this pencil line you drew down here, have to do with the next year's crop and nothing to do with the this year's crop?

Mr. ROLPH. Those sugars were already bought and arranged for on the 10th of December at that price.

The CHAIRMAN. Exactly; and that price will be the January price and will start us in next January at $6, whereas last January we started in at less than $5.10, according to this map, and then dropped immediately in February to $4.60.

Mr. ROLPH. And then it went right on up.

The CHAIRMAN. I will ask you this, Mr. Rolph, although, perhaps, it is no use to ask you: Is it not a fact that you can take those same maps and show a fluctuation and reduction of prices below the high point, under the law of supply and demand, more beneficial than that which you can show by the map that you have made to show the rise and fall of sugar since the Federal board took control?

Mr. ROLPH. In answer to that, I will say it would be a very interesting thing to see where the price would have gone to if the control had not been placed on it.

The CHAIRMAN. Oh, yes; we have got down now to the question of what might have been; and the saddest of all words, you know, is what might have been, and also the most uncertain.

You have put in so many figures here about the differentials made by these sugar refiners. If it should transpire that the differentials that actually were made by these sugar refiners were entirely different than the calculations upon which you have testified, of course

ur conclusion that you drew from it as to the amount of saving ould have to be set aside; would it not?
Mr. ROLPH. It would.
The CHAIRMAN. If, for instance, Mr. Spreckels, instead of making .08, as you say, only made $1.41, that would somewhat influence the sult as to saving, would it not?
Mr. ROLPH. It would.
The CHAIRMAN. You say that on August 25 you asked the British withdraw from the Cuban market. They did so, did they?
Mr. ROLPH. They did.
The CHAIRMAN. And on August 25 you asked the American re-ners to withdraw from the market, and although they had no signed greement they did withdraw?
Mr. ROLPH. They did.
The CHAIRMAN. What shape did that leave the Cuban sugar holder as to a market?
Mr. ROLPH. It left him without a buyer, practically.
The CHAIRMAN. He not only had no buyer but he had no tonnage move his sugar. Is not that true?
Mr. ROLPH. There was plenty of tonnage.
The CHAIRMAN. Was he not short of tonnage?
Mr. ROLPH. Not at that time.
The CHAIRMAN. Did not they have to get their tonnage from the nited States or from England?
Mr. ROLPH. No.
The CHAIRMAN. Very well. He had no buyer. That means, then, at if an agreement was effected between the sugar refiners of the nited States not to buy the Cuban sugars, and England was to articipate in that, Cuba would not have any market at any time—ny real market—would she? The Cuban planter is practically at the ercy of any combination of Governments or individuals that em-races the whole market of Great Britain and the allies and the nited States?
Mr. ROLPH. Yes.
The CHAIRMAN. If you had agreed with England as to the amount f sugar that she would take from Cuba, and that she would not go bove a certain price, that would have fixed the price of the Cuban ugar, would it not?
Mr. ROLPH. Practically.
The CHAIRMAN. That is all I desire to ask you. I introduce those heets.
Senator JONES. Yes; I am perfectly willing to have those in.
(The sheets referred to were marked by the reporter "Exhibit No. 7, Rolph No. 7"; "Exhibit No. 88, Rolph No. 8"; "Exhibit No. 89, Rolph No. 9"; "Exhibit No. 90, Rolph No. 9"; and "Exhibit No. 91, Rolph No. 10.")
Senator JONES. Just picking up this sheet here for the year 1916, notice that the raw-sugar market fluctuated in January from $4.71 lown to $4.48, then gradually worked its way up in May of that year o $4.46, and gradually worked its way down in the latter part of August of that year and the first of September to $4.64, then went up gain the last of October to $6.66, then down again to $5.03, with all hose fluctuations. I will ask you whether or not such violent fluctua-ions are in the interest of the consumers of sugar?

The CHAIRMAN. Then does not that bring us, Senator, if we are going into that, to the question whether there ought not to be a general price control for everything in the world at all times?

Senator JONES. If it does, I am perfectly willing that the Senate shall go into that.

The CHAIRMAN. I hardly think that that would throw any light upon the question of the present sugar shortage. I am not going to object to a Senator asking a question. I am calling your attention to the fact that it is leading us very far afield and into the realm of socialistic speculation.

Senator JONES. I am not so persistent in stating my position regarding these questions for the purpose of getting it into the record, because I assume that when the facts come out the Senators will have to consider these matters, and the public will become acquainted with them and will reach their own conclusions. Now, I will ask you to answer the question.

Mr. ROLPH. There is no doubt that such violent fluctuations in a market, and to such a marked degree, result in very great speculation.

Senator JONES. And does the consumer—I mean the good wife who purchases from her grocer a quantity of sugar for home consumption—as your general business experience teaches you, get the benefit immediately of this reduction in the price of raw sugar?

Mr. ROLPH. No; she does not.

Senator JONES. And I will ask you also whether or not the price to the good housewife under those circumstances advances with the advancing price of raw sugar much more quickly than the reduction comes to the housewife?

Mr. ROLPH. That is a question that I can not answer.

Senator JONES. Or, in other words, if the retail grocer has on hand a quantity of sugar at a high price, is he not induced to dispose of the quantity on hand at the high price?

Mr. ROLPH. That would be the natural thing for him to do.

The CHAIRMAN. How about if he had some at a low price?

Senator JONES. And if he has got some at a low price, and the price in the general market advances, is there not an inducement for him to immediately raise his price of the low sugar?

Mr. ROLPH. That is human nature.

Senator JONES. Now, then, if a stable, reasonable price can be established, will not that be better for the consuming public than such violent fluctuations as appear upon this sheet for last year?

Mr. ROLPH. There is no doubt about it in my mind.

Senator JONES. And also in your mind, under conditions as they existed in the year 1917, if there had been no measures taken to control the situation, the fluctuations as shown on the sheets for the year 1917 would have been very much more violent than appear upon that sheet?

Mr. ROLPH. I believe that the saving of the excess profits and the speculation will bring about the result that I stated.

The CHAIRMAN. You believe in stabilizing prices as a general rule, then? You think it would be beneficial?

Mr. ROLPH. I think as a rule it would.

The CHAIRMAN. That would be particularly true in sugar if the sugar refiners stabilized the price—fixed the price? They, no doubt, could agree on that?

Mr. ROLPH. I have no doubt that you will see a margin of $1.30 maintained. Their increasing costs——

The CHAIRMAN. Do you know anybody that is guaranteeing margins to the farmer on his crop, or margins to the laboring man between his living cost and his wages, or margins to the retailer, or anybody that is getting margins guaranteed at the present time except some of these gentlemen who have come down here to Washington and helped fix their own margins?

Mr. ROLPH. The farmers are guaranteed a price on wheat.

The CHAIRMAN. But that does not guarantee them a margin.

Mr. ROLPH. There is no margin guaranteed on this.

The CHAIRMAN. Oh, yes; they are guaranteed——

Mr. ROLPH. A maximum.

The CHAIRMAN. They are given an absolute one price upon their raw material and the right to charge above that a certain margin; are they not?

Mr. ROLPH. The right to charge above that a certain margin.

The CHAIRMAN. That is a guaranty of it, is it not?

Senator JONES. But there is no guaranty on the expense of refining, is there?

Mr. ROLPH. Not at all.

Senator LODGE. Did any of these fluctuations you have been going over in past years lead to a sugar famine?

Mr. ROLPH. Not at all.

Senator VARDAMAN. Mr. Chairman, if we are through I move that we adjourn until to-morrow at half past 10 o'clock.

(Thereupon, at 5.50 o'clock p. m., the subcommittee adjourned until to-morrow, Saturday, December 22, 1917, at 10.30 o'clock a. m.)

SHORTAGE OF SUGAR.

SATURDAY, DECEMBER 22, 1917.

SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
UNITED STATES SENATE,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, Jones, Lodge, and Kenyon.

TESTIMONY OF THOMAS LEE WOOLWINE, DISTRICT ATTORNEY OF LOS ANGELES COUNTY, CAL.

(The witness was sworn by the chairman.)

The CHAIRMAN. State your name, place of residence, and your business or profession.

Mr. WOOLWINE. Thomas Lee Woolwine; district attorney of Los Angeles County, Cal.; residence, Los Angeles City.

The CHAIRMAN. What is your official capacity just now?

Mr. WOOLWINE. District attorney of Los Angeles County; and I have held such office for the last three years.

The CHAIRMAN. Are you United States district attorney, or are you the State district attorney?

Mr. WOOLWINE. No; it is a State office. It is what might in some jurisdictions be termed the attorney general for the county of Los Angeles.

The CHAIRMAN. You have lived in California——

Mr. WOOLWINE. Twenty-one years.

The CHAIRMAN. And I suppose you have always, since you have been old enough, been a lawyer by profession?

Mr. WOOLWINE. Almost continuously since my majority.

The CHAIRMAN. Are you in the sugar-beet district?

Mr. WOOLWINE. Yes, sir.

The CHAIRMAN. What is your business here in Washington at this time? How did you come to be here?

Mr. WOOLWINE. May I just relate my connection with this matter in narrative form?

The CHAIRMAN. Yes; very briefly.

Mr. WOOLWINE. I will do it as briefly as possible. The district attorney of Los Angeles County took up with the grand jury of that county various investigations with regard to the food situation, among other things a prosecution of the Bread Trust, which resulted in a conviction there. They passed on to the sugar-beet industry, complaints having been made by growers throughout the country

there that there was a combination on between the various refineries in southern California to unlawfully control the price of beets and to force them to take such price, which, as they claimed, was in violation of the antitrust laws of the State. That investigation consumed some two or three weeks, and after having taken testimony for that time the grand jury of the county passed a resolution——

Senator LODGE. Who conducted the investigation?

Mr. WOOLWINE. I conducted the investigation, some of the times personally and other times through assistants of mine. That resulted in the following resolution, which I think at this time would be illuminating and would help you to understand the situation. It is very brief. Then I will pass on to other matters. It reads:

EXHIBIT No. 92.

RESOLUTION OF THE GRAND JURY OF LOS ANGELES COUNTY IN THE MATTER OF THE INVESTIGATION OF THE BEET-SUGAR INDUSTRY IN SOUTHERN CALIFORNIA.

It having been called to the attention of the grand jury of Los Angeles County that the beet-sugar refineries of southern California, in violation of the Cartwright antitrust law of this State, has unlawfully combined to establish and settle the price of sugar beets, the grand jury, under the direction of District Attorney Thomas Lee Woolwine, is conducting a thorough and lengthy investigation—

That investigation has not yet been concluded— .

This investigation already reveals an extremely serious condition with respect to the sugar-beet industry, which, in the opinion of the grand jury, demands immediate attention and consideration.

The evidence adduced conclusively indicates that the sugar-beet production in this district is seriously threatened, due to the fact that the sugar-beet farmers refuse to plant beets under the terms of the uniform printed contract offered by the refineries.

The inquiry further shows that the sugar output for this district will be seriously curtailed, unless something is done immediately to remedy the situation.

The grand jury approves the action of District Attorney Lee Woolwine in notifying the national administration of these conditions, and indorses the telegram sent by him to Mr. Hoover under date of November 30, 1917, the facts therein disclosed being abundantly supported by testimony under oath on behalf of both the refineries and the beet growers.

The grand jury is impressed with the gravity, seriousness, and injustice of the situation, and unanimously and emphatically urges Mr. Woolwine to continue his efforts to obtain a full and complete hearing before the proper Federal authorities, and authorizes him to use, in his discretion, the transcript of the sworn testimony taken before this body.

W. R. ROWLAND,
Foreman of the Grand Jury.
MERRITT W. LUDDEN,
Secretary of the Grand Jury.

DECEMBER 4, 1917.

That is signed by the secretary and by the president. Would you like, Mr. Chairman, to file that as an exhibit in your matter?

The CHAIRMAN. Yes, sir. Mr. Woolwine, you have conducted these investigations, and, from the abundant papers you have before you. I take it that the testimony was somewhat lengthy?

Mr. WOOLWINE. I think, if you will pardon me, I could summarize it, and acquaint you with what has been done in 5 or 10 minutes.

The CHAIRMAN. That is what I am going to ask you to do, to give us an epitome of what this testimony you have taken shows. And

perhaps you might tell us, to begin with, what particular companies or sugar-beet factories there are that came within the scope of your investigation. In other words, make us a plain, clear statement, as you would to a court. That is as near a suggestion as I can make to you.

Mr. WOOLWINE. The sugar-beet growers representing quite a vast acreage were called before the grand jury, the scope of the territory covered and represented being from Lompoc, Cal., which is far north of Santa Barbara, to the southern limits of the beet-growing section—you might say the entire southern portion of California.

The CHAIRMAN. How many miles would that be?

Mr. WOOLWINE. I could not tell you that; but I will say half of the State of California, the southern half.

The CHAIRMAN. That is near enough.

Mr. WOOLWINE. And communications were received by me making the same complaints from growers in northern California. About 45 witnesses were called before the grand jury—that is, including growers and refiners. The testimony of the growers was almost universally to this effect—I do not think there were more than one or two exceptions: They testified that for years they had been growing beets at a loss; that where any money was made at all it was inconsiderable; that they could not afford to continue and grow beets under the contracts—the uniform printed contracts—offered by the refiners generally, and all the contracts of the refineries are practically the same thing—offer the same rates.

Senator JONES. Mr. Woolwine, you are using the word "refiners." You mean the manufacturers of beet sugar, do you not?

Mr. WOOLWINE. That is what I mean.

Senator JONES. In the hearings heretofore we have used the term "refiners" as applied to the cane-sugar enterprises and "factories" as applied to those who get the sugar from the beet.

Mr. WOOLWINE. I understand that they might more properly be referred to as "factories."

The terms offered by the factories in California and by this alleged combination were $7 per ton on a 15 per cent basis.

The CHAIRMAN. For what year?

Mr. WOOLWINE. For the coming year.

The CHAIRMAN. That is, $7 for beets of what character?

Mr. WOOLWINE. Fifteen per cent basis, and with a rising or falling scale. I do not know whether it maintained the same ratio or not. But, anyway, it was the basis of $7 for 15 per cent beets. I think it is safe to say that only two of the witnesses called—this is the best of my recollection in the matter—testified that they could make some money at that, and intended to plant. All of the others—as I say, according to my best recollection now, and there were 45 called, as I remember it—testified that they could not raise beets at that figure at all, and that they would not do so.

The CHAIRMAN. The coming year?

Mr. WOOLWINE. The coming year. Of course, this is a matter to some extent of opinion and conclusion of mine, but I think it is amply sustained by the testimony and by the resolution that the grand jury passed. To my mind there will be a shortage of 60 per cent, perhaps, and even more.

The CHAIRMAN. Of acreage?

Mr. WOOLWINE. Of acreage next year as compared with what it was in 1917.

The CHAIRMAN. Was the acreage in 1917 abnormally large or an average?

Mr. WOOLWINE. I could not answer that. But there will be witnesses who come after me who can. You see, I am simply the attorney in this matter, under the circumstances that I have told you, and do not represent anybody here except the county of Los Angeles. As the investigation progressed the grand jury became convinced that something should be done by way of laying this matter before the Federal authorities. I did so in a telegram which is referred to in the resolution. I telegraphed Mr. Hoover, and he made an engagement for me to come to Washington in company with other persons who had information in relation to this matter.

Senator LODGE. When was that?

Mr. WOOLWINE. The date is expressed in the resolution there. I can not recall it. I have the telegram here. But Mr. Spreckels, as I understand, read it into the record some days ago.

The CHAIRMAN. I do not know that he did. Let us have the telegram.

Senator LODGE. These resolutions of the grand jury are dated December 4. They were sent by you to Mr. Hoover under date of November 30.

Mr. WOOLWINE. I have it all here. I have a good deal of correspondence in this matter. Shall I take the time now to find it?

The CHAIRMAN. You need not do it.

Senator LODGE. You can put the telegram in later.

Mr. WOOLWINE. I then received, as I say, a telegram in reply from Mr. Hoover to come to Washington, in company with certain persons representing all the growers there, and I got these people together, got ready to come, and got a wire then to take the matter up with Mr. Merritt, who represented the Food Administration in California. Mr. Merritt had previously gotten in touch with me on a trip that I made to San Francisco, and we had talked the situation over to some extent at that time. Mr. Merritt came to Los Angeles, and a mass meeting was called there that was attended by some 600 beet growers. That was the approximate number.

The CHAIRMAN. When was that?

Mr. WOOLWINE. That mass meeting occurred shortly after Mr. Hoover's telegram. I could not tell you the exact date right now of that mass meeting. The proceedings were taken in shorthand.

The CHAIRMAN. The telegram referring you to Mr. Merritt you mean?

Mr. WOOLWINE. Yes, sir. I am informed that the meeting was two weeks ago yesterday.

The CHAIRMAN. Let us get a date. Two weeks ago yesterday would have been the 7th.

Mr. WOOLWINE. At that mass meeting the refiners were represented by Mr. Oxnard—if I mistake not his name is Henry Oxnard, is it not?

Senator LODGE. Yes.

Mr. WOOLWINE. Henry T. Oxnard; Mr. Henry C. Lee, of the Los Alamitos Sugar Refinery; Mr. Peck, of the Anaheim Sugar Factory. I say "refinery." I mean factory all the time.

The CHAIRMAN. All that Senator Jones wanted to call to your attention was the fact that heretofore in the hearings the manufactories of beet sugar were referred to as factories.

Mr. WOOLWINE. A gentleman by the name of Johnson, connected with the Holley Sugar Co.; J. Ross Clark, of the Los Alamitos Sugar Co.; J. Ross Clark, I think, being the president of the company. Those men represented the sugar refineries, and the effort that Mr. Merritt made, and that I, as district attorney of the county of Los Angeles, made, was if possible to harmonize the conflicting interests there, and see if we could not arrive at a settlement of the matter. At that meeting Mr. Oxnard, on behalf of the refineries, presented a proposition, which was in general terms about as follows: You see, the rate had been $7 for 15 per cent beets. Mr. Oxnard presented, on behalf of the refineries, a proposition that that figure be raised to $7.50 for 15 per cent beets, in the event that the acreage planted during the coming season should reach 80 per cent of the acreage planted the last season, and that if it reached 90 per cent, that the factories would give——

The CHAIRMAN (interrupting). May I ask you to desist just a minute? There is a telegram I have to attend to, and I want to hear your testimony.

Mr. WOOLWINE. Yes, sir.

Senator JONES. While Senator Reed is waiting on that, I would like to have you explain what this basis of 15 per cent means. Suppose the beets actually contain 16 per cent of sugar. What would the price be if the basic price were $7?

Mr. WOOLWINE. It would be more. I can not tell you. There were several propositions made, but the rate would be more, but probably not in the same ratio. However, witnesses who will come after me will explain that to you. I do not pretend to be an expert in any sense in relation to any of these matters. I only know what I found out from my investigations as a lawyer there.

Senator LODGE. There was a rise, I suppose, for each per cent of sugar content?

Mr. WOOLWINE. Yes, sir.

Senator LODGE. And a corresponding reduction——

Mr. WOOLWINE. Of course, in case it failed to come up to the 15 per cent figure.

Senator LODGE. That was the base price?

Mr. WOOLWINE. That was the base price.

Senator LODGE. And Mr. Oxnard proposed to raise the base price to $7.50?

Mr. WOOLWINE. Yes, sir. Not in that meeting.

Senator LODGE. No.

The CHAIRMAN. Now, you may resume.

Mr. WOOLWINE. When we discontinued I was just saying that at this mass meeting this was the proposition made by the refineries, that they would give $7.50 instead of $7, on the 15 per cent basis—and when I speak of these figures, I mean the 15 per cent basis—they would give $7.50 in case the acreage planted during the coming season would amount to 80 per cent of the acreage planted during the last season, and in case it reached 90 per cent, that they would make it $8. The growers there, with practical unanimity of opinion, refused to

entertain that proposition. They said it was too indefinite—as was expressed by one of them. I do not know but what I made some such expression myself in open meeting there—that it had a string to it; and after some little consultation——

The CHAIRMAN (interrupting). That would make one man's fortune depend on what other men might do over whom he had no control?

Mr. WOOLWINE. Yes; it would.

Senator VARDAMAN. What reason did he assign for making that proposition? Why should he pay more for beets if they raised 80 per cent of last year's yield?

Mr. WOOLWINE. He said the more sugar they could turn out the more money they would make, and they wanted a sufficient acreage to pay them for running their factories.

The CHAIRMAN. It occurs to me that Mr. Rolph on yesterday stated that the basic price in California last year was $5, and that it had been raised to $7.50.

Mr. WOOLWINE. I am getting to that, if you will pardon me. That is, I mean the $7.50 figure.

The CHAIRMAN. You have stated that the basic price last year was $7.

Mr. WOOLWINE. No. I am referring all the time to the contracts that they are putting out in the field, and attempting to get signed, on the $7 basis for next year. I have not mentioned last year or the last season.

Senator LODGE. What was the base price last season?

Mr. WOOLWINE. Four dollars and fifty cents; and, as I understand it, they afterwards gave a bonus of $2, making the price——

Senator LODGE. Six dollars and a half.

Mr. WOOLWINE. Six dollars and a half. After that proposition was refused—that is, the 80 and 90 per cent proposition that I just indicated to you—I talked with Oxnard, and tried to make him state some definite figure that was not subject to any such condition as that indicated before. They finally agreed that they would make, then, a flat rate of $7.50 for the 15 per cent beets, that they would raise that to $8 in case there was 80 per cent of the acreage planted during the coming season. The growers, to make a long story short, would not accept that. It was quite a stormy meeting.

The CHAIRMAN. Did all these manufacturers who were there join in making the same proposition?

Mr. WOOLWINE. Mr. Oxnard stated in their presence that he represented the entire sugar interests of southern California.

Senator VARDAMAN. Manufacturing interests?

Mr. WOOLWINE. Manufacturing interests—in making that offer. That meeting resulted in nothing. We then made an arrangement with the representatives of the sugar factories to meet in my office—that is, the office of the district attorney of Los Angeles County—on the next Saturday afternoon, which would be the 8th day of December, 1917, at which meeting it was arranged to have some of the leading growers there. I think the same persons who represented the factories at the mass meeting the previous day were in my office on the Saturday afternoon following the Friday upon which the meeting was held; also some of the leading beet growers, whose

names I could give you. Do you care to have them? Some of them are here. At any rate, the growers were represented there.

The CHAIRMAN. I think it is sufficient to say the leading beet growers.

Mr. WOOLWINE. Practically the same proposition was renewed, with some difference as to the amount that would be paid in case the percentage of sugar content advanced beyond 15 per cent. But the details of that will be explained by witnesses who know these matters better than I. I have, though, that proposition that they submitted. The paper was actually handed to me, if you want it.

The CHAIRMAN. Yes, sir.

Mr. WOOLWINE. There was quite a discussion; two or three hours I acted as chairman there, and everybody had something to say about the matter. But that conference finally resulted in nothing; that is, they came to no conclusion.

The CHAIRMAN. You say they presented you a paper there?

Mr. WOOLWINE. Yes, sir. I have it here. While I am looking for that, it is somewhat out of order, but would you like to have the correspondence with Mr. Hoover?

The CHAIRMAN. I would like to get this proposition, because it is in connection with your testimony, and when we lose a thing in these voluminous records it is hard to find it.

Mr. WOOLWINE. This is the proposition, which, for the purposes of the record, should be marked as an exhibit.

(The paper was marked "Exhibit No. 93, Woolwine 1.")

The CHAIRMAN. Before I take this up, were all of the sugar refining or manufacturing companies represented at this mass meeting—all those of California?

Mr. WOOLWINE. All of those of southern California. When I say southern California I speak of that portion south of the Tehachapi; in other words, south of that mountain range that runs through the State.

The CHAIRMAN. That is practically half the State?

Mr. WOOLWINE. Yes; and practically half the acreage.

The CHAIRMAN. And at this meeting these factories united in offering the same terms through one individual, who spoke for all of them.

Mr. WOOLWINE. At the mass meeting?

The CHAIRMAN. Yes.

Mr. WOOLWINE. Well, there was some difference, but so far as the base price is concerned it is the same.

The CHAIRMAN. I am talking about the base price, and the proposition was made at the mass meeting for these manufacturers by what manufacturer?

Mr. WOOLWINE. Mr. Henry Oxnard.

The CHAIRMAN. Do you know the company with which he is connected?

Mr. WOOLWINE. It is the Oxnard Sugar Co., located at Oxnard, Cal.

The CHAIRMAN. When you had that meeting on the next day at your office between the manufacturers and the beet producers were the same manufacturers there, or represented, who had been at the mass meeting?

Mr. WOOLWINE. Yes; I so stated, I think.

Senator LODGE. You are sure that this was Mr. Henry Oxnard and not Mr. Robert Oxnard?

Mr. WOOLWINE. It was Mr. Henry T. Oxnard, I think.

Senator LODGE. I know Mr. Henry Oxnard, and I suppose Robert is his brother.

Mr. WOOLWINE. I am satisfied that it was Henry Oxnard.

The CHAIRMAN. At the meeting in your office you say that the same manufacturers were present?

Mr. WOOLWINE. Yes.

The CHAIRMAN. Did they speak there through one man or did they all join in the conversation?

Mr. WOOLWINE. Each one had something to say, but Mr. Oxnard was the man who represented them, according to his statement made in the presence of these manufacturers, and who was authorized to speak for the entire manufacturing industry for the southern portion of California.

The CHAIRMAN. As a result of that conference there was presented as a proposition common to all of these manufacturers this paper, Exhibit No. 93, Woolwine 1, which you have handed to me?

Mr. WOOLWINE. Yes.

The CHAIRMAN. I shall now read Exhibit No. 93. It is as follows:

EXHIBIT No. 93.

In response to the appeal of the Government, through the United States Food Administration, to maintain or increase the production of sugar, the factory guarantees that the minimum price to be paid for beets delivered in 1918 under this contract shall be as though the net price received for sugar, as referred to in the attached contract, were 7¼ cents per pound, which means not less than $7.50 per ton for beets testing 15 per cent sugar, with 50 cents added or deducted for each 1 per cent above or below 15 per cent.

The factory further agrees that if the total acreage planted to sugar beets in the Southern California district as a whole for the 1918 crop equals or exceeds 80 per cent of the acreage planted for the 1917 crop, a flat bonus of 50 cents per ton of beets delivered will be paid. The determination of the relative acreage planted in 1917 and 1918 to be made by the United States Food Administration.

The factory agrees to reimburse the United States Food Administration for the expense of such representatives as it may appoint to check the weighing, taring, and testing of beets grown and delivered under the attached contract.

Mr. Woolwine, have you the telegrams that had passed between you and the Food Administration prior to this time?

Mr. WOOLWINE. Yes, I have. The first one was dated November 30, 1917, and was sent to the President, a duplicate of it being sent to Mr. Hoover.

(The witness produced the telegram, which was marked "Exhibit No. 94, Woolwine 2.")

The CHAIRMAN. By the way, when do you plant beets for the next year's crop?

Mr. WOOLWINE. I am informed that a large acreage should begin planting by December 20; but that situation will be more fully explained to you, and very briefly, by witnesses who are to follow.

The CHAIRMAN. I now read Exhibit 94, Woolwine 2:

EXHIBIT No. 94.

NOVEMBER 30, 1917.

The PRESIDENT,
Washington, D. C.:

Sugar-beet situation in Southern California extremely serious. Farmers refuse to plant beets under terms offered by refineries. Sugar production in this district threatened. Refineries firms in refusal to pay more. No relief in sight. Investigation by grand jury of Los Angeles County, under State antitrust laws, discloses, by great volume of evidence, beyond doubt, that price to beet growers for beets as fixed in printed contracts of refineries not sufficient generally to pay cost of growing beets. The price for sugar approved by the Government guarantees excessive and unreasonable profits to the refineries. On this account farmers refuse to plant vast acreage. Under less favorable conditions, when sugar sold at lower prices, one refinery, representing investment of one and a quarter million dollars made net profit last year of between $900,000 and $1,000,000. Another refinery, representing investment of half million dollars, made net profit last year of about $900,000. Experts assert profit will be proportionately greater to refineries coming season under present prices, although production seriously curtailed by refusal of farmers to plant. Combination of refineries to control price of beets grossly unjust to farmers. No remedy except by action of Federal Government. Situation critical, as beets must be planted at early day. Grand jury testimony fully sustains foregoing. Am willing to produce transcript of grand jury testimony and appear personally in Washington before proper authorities. Respectfully suggest matter be acted upon immediately to remedy grave situation. Duplicate wire sent to Hoover, Food Administrator.

THOMAS LEE WOOLWINE,
District Attorney, Los Angeles County.

Did you receive a reply to that?

Mr. WOOLWINE. I did. I received the following telegram under date of December 1.

(The witness produced a telegram, which was marked "Exhibit No. 95, Woolwine 3.")

Mr. WOOLWINE. May I interpolate something there, or would you rather wait?

The CHAIRMAN. I think I would rather put this correspondence in, unless something transpired between the date of your telegram and the date of the reply, which would come in sequence.

Mr. WOOLWINE. I think it better wait.

Senator LODGE. Let us get the correspondence in.

The CHAIRMAN. I now read the telegram "Exhibit No. 95, Woolwine 3":

EXHIBIT No. 95.

WASHINGTON, D. C., *December 1, 1917.*

THOS. LEE WOOLWINE,
District Attorney Los Angeles County, Los Angeles, Cal.:

Your wire 30th; suggest you come to Washington, together with Andrew Cook, F. D. Plavin, Frank Merkle, E. Thomas, I. Rawa, V. E. Wire. Also that you invite two representatives of beet sugar companies who are familiar with other side of question, in order that further discussion of the situation may be had. Suggest your being in Washington December 8, when our Mr. Rolph will be in Washington.

HERBERT HOOVER.

Have you any further telegraphic or letter communication?

Mr. WOOLWINE. The next communication that has reference to this particular matter is from Mr. Hoover and is dated December 3.

(The witness produced a telegram, which was marked "Exhibit No. 96, Woolwine 4.")

The CHAIRMAN. Did anything transpire between this telegram of December 1 and the one of December 3 that you now produce? I simply want to keep your matters in chronological order.

Mr. WOOLWINE. Nothing that would be material at this time.

The CHAIRMAN. I now read "Exhibit No. 96, Woolwine 4":

EXHIBIT No. 96.

WASHINGTON, D. C., *December 3, 1917—6.20 p. m.*

THOS. WOOLWINE,
District Attorney, Los Angeles, Cal.:

Just learned Merritt, State food commissioner, has called meeting on sugar situation to-morrow, which will be attended by parties you have invited to come to Washington, preventing them being here on 8th. We therefore desire to postpone meeting until further notice.

HERBERT HOOVER.

What is your next communication?

Mr. WOOLWINE. Almost immediately upon receipt of the telegram that you have just read I wired Mr. Hoover. The date of that wire is not upon the copy of it which I hold in my hand, but it must have been either the same day or the day after the receipt of the telegram that you have just read—Exhibit No. 96.

(The witness produced a paper which was marked "Exhibit No. 97, Woolwine 5.")

The CHAIRMAN. I now read Exhibit No. 97, Woolwine 5:

EXHIBIT No. 97.

LOS ANGELES, CAL.

HERBERT HOOVER,
Food Administrator, Washington, D. C.:

Telegram December 3 received late to-day. You have been misinformed. Merritt has not notified me nor any of the men mentioned in your former telegram to participate in San Francisco conference to-morrow. This may appear amazing to you but is in harmony with beet-growers' experience of Merritt's attitude. Many interested men, including some of those parties mentioned by you in your telegram, have purchased tickets and made all arrangements to go to Washington to attend conference suggested by you for December 8, but in deference to your wishes departure delayed. Respectfully urge you appoint immediate date when this urgent and important matter may be presented to you personally. Your reputation for fair play will, in my opinion, be most important factor in reaching settlement and correcting grave injustice and encourage growers to plant large acreage that will otherwise be abandoned. The beet growers can not be expected to and will not cultivate beets at a loss while the sugar refineries reap enormous, exorbitant, and unreasonable profits. It is deplorable that the sugar refiners at a time such as this may be permitted to exact fabulous profits from the consumers on the one hand and from the beet growers on the other. We believe that these facts can readily be established, and all we ask for is a hearing. Settlement can likely be made in direct conference with you that can not possibly be effected by your subordinates. Situation calls for decisive and quick action, otherwise growers will refuse to plant. Merritt is aware from my own statement to him of voluminous testimony before grand jury taken under State antitrust laws where both refiners and growers testified, all of which he ignores. All previous efforts of beet growers to secure action by Merritt have been without result. The grand jury unanimously concurs in my action and urge a hearing be secured before you, if possible, and that all testimony and proceedings before that body be presented to you. Request that you appoint immediate date for conference.

THOMAS LEE WOOLWINE,
District Attorney for Los Angeles County.

Who is Mr. Merritt?

Mr. WOOLWINE. Mr. Merritt is the food administrator appointed by Mr. Hoover, and is now serving in that capacity in California—Ralph P. Merritt.

The CHAIRMAN. What is the next thing that transpired in order?

Mr. WOOLWINE. I did not hear from Mr. Hoover, but I received a wire from Mr. Merritt, dated San Francisco, December 4, 1917, which I have here.

(The witness produced a telegram which was marked "Exhibit No. 98, Woolwine 6.")

The CHAIRMAN. I now read Exhibit No. 98, Woolwine 6:

EXHIBIT No. 98.

SAN FRANCISCO, CAL., *December 4, 1917.*

LEE WOOLWINE,
District Attorney, Los Angeles, Cal.:

Hoover wires he has asked you to postpone conference in Washington pending our report to him of conference held here to-day with refiners, which was called one week ago. We have taken over all necessary books and have made good progress. Will have final conclusion not later than Thursday afternoon. Present national crisis makes imperative this year's planting of sugar beets be increased, and we ask your cooperation in urging growers to immediately proceed to increase California's contribution to national food supply. Am notifying Hoover you can be of immense help. Will keep you fully posted and if you have not gone East will endeavor to come to Los Angeles Friday for conference.

MERRITT.

Mr. WOOLWINE. Then on December 5, 1917, I received a telegram from Mr. Merritt.

The CHAIRMAN. That will be marked "Exhibit No. 99." This is addressed to Mr. Woolwine, and reads as follows:

EXHIBIT No. 99.

SAN FRANCISCO, *December 5, 1917.*

THOS. LEE WOOLWINE,
District Attorney, Los Angeles, Cal.:

Have asked Los Angeles representative Food Administration, Stoddard Jess, call meeting for me with growers and refiners Friday afternoon for open discussion regarding planting sugar beets for 1918. Arrive Los Angeles Friday morning; will call you on telephone and if convenient hope you will reserve luncheon date.

MERRITT.

Mr. WOOLWINE. I took lunch with Mr. Merritt on the 7th, together with Stoddard Jess.

The CHAIRMAN. Who is Stoddard Jess?

Mr. WOOLWINE. Stoddard Jess is the president of the First National Bank of Los Angeles, and represents the Food Administration in some capacity that I am not familiar with; I do not know. Then we proceeded—that is, the president of the chamber of commerce, who was also present at this luncheon, and we, with the exception of Mr. Jess, proceeded—to this hall where the mass meeting was to be held, and the mass meeting ensued.

The CHAIRMAN. What date was that?

Mr. WOOLWINE. The 7th of December, 1917.

The CHAIRMAN. Now, give us a brief sketch of this, because we must not get too much in detail.

Mr. WOOLWINE. The grand jury investigation was proceeding, because it had not been determined by myself whether a prosecution would lie, or whether we could under all the circumstances prosecute these men under the State antitrust laws for offenses or alleged offenses that no doubt occurred before the Food Administration took charge of this matter; and I have, I believe, briefly stated what the testimony of Gen. Wade disclosed with respect to the situation in which the beet grower found himself. Some of the refinery men were called. One man, Mr. A. J. Cruikshank, of Santa Ana, Cal., who had been secretary and manager of the Santa Ana Sugar Refinery in southern California, testified before the grand jury of Los Angeles County, and it will be disclosed in the typewritten transcripts I have here with me that his refinery represented an investment of $1,250,000, and that it had made a net profit for the 1916–17 campaign of, as I remember the figures, between $800,000 and $900,000. He was asked as to whether he thought that the price offered to the beet growers was just. He stated he thought it was absolutely unjust—I am not trying to quote him literally, but it was that in substance—and he said that they could pay as high as $9 per ton on the 15 per cent basis. He was asked if they could pay $10 per ton, and whether that would be a reasonable price to the grower for beets on the 15 per cent basis, and he stated in substance that that would depend on how much the refineries wanted to make. He said that he was satisfied, and had been for a long time, that they had been mistreating the growers and that they should be paid more money.

The CHAIRMAN. Have you a transcript of his testimony here?

Mr. WOOLWINE. I have it right here. I fancied that you did not want to take the time to read it.

The CHAIRMAN. That is all right. Go ahead.

Mr. WOOLWINE. I am only giving it in a general way. Now, this other refinery that was referred to in the telegram to President Wilson and to Mr. Hoover—I hesitate, myself, to state the fact, because it seems so amazing, but I get it from the lips of one of the officers of the company——

The CHAIRMAN. What is his name?

Mr. WOOLWINE. Henry C. Lee.

The CHAIRMAN. Did he testify?

Mr. WOOLWINE. No; he would not. That is another thing I wanted to call your attention to, that I will touch upon a little later. It will not take me a great while, now, to get through.

The CHAIRMAN. All right, sir; I do not want to hurry you. You understand the importance of cutting out everything that is not material.

Mr. WOOLWINE. Absolutely; and I am trying my best. I realize that. The grand jury testimony by one of the former employees of this Los Angeles Sugar Refinery was to the effect that on an investment of $500,000—this is the best of my recollection of what the grand jury testimony discloses, and I was there when the man testified—his name was Allen Ray—his testimony was to the effect that the actual investment in the refinery was about $500,000 and that it paid during the 1916–17 campaign something like a million dollars in profits. That was called to the attention of one of the officers by

myself, and he stated to me that the actual investment was about about $600,000 and that he made $985,000 during that campaign.

Senator VARDAMAN. You mean, by the campaign, out of that crop?

Mr. WOOLWINE. Yes, sir; they call it a campaign. That is their term for it out in that country.

Senator VARDAMAN. You do not mean a campaign in the political sense?

Mr. WOOLWINE. No. I then questioned him about it, and asked him, "Do you mean this?"—and I repeated the statement. He said "Yes; that is true."

Senator VARDAMAN. Before you leave that, what did they pay for beets that year, do you know?

Mr. WOOLWINE. There is a gentleman here in the room who knows. [After consultation with Mr. Bishop.] As I have just been informed, the basis was $4.50 for that crop, and there was $2 bonus paid, which made the rate $6.50, 50 cents of that never having yet been paid.

Senator VARDAMAN. Excuse me; my attention was diverted. Did you answer the question as to what beets brought there?

Mr. WOOLWINE. Mr. Bishop, will you answer that? This is Mr. Clyde Bishop, attorney at law, of Santa Ana.

(The last answer of the witness was repeated by the stenographer.)

The CHAIRMAN. Now let me ask you about that bonus, if you know. If you do not know, we will get it from some of these other men. Was the price fixed at $4.50, and then did the factories pay $2 more? Was that bonus something that came to them under the contract—an additional amount if certain things happened? If you do not know, we will get the facts from some one else.

Mr. WOOLWINE. Yes; I understand it was voluntarily paid, but I want to be sure. That testimony may come later. There are people here who know a good deal about this matter.

Now, to get back to Mr. Lee. He had refused to answer before the grand jury. He came there with a statement from an attorney and urged a good many legal grounds why he should not be forced to answer, and his testimony, in so far as it could be taken, is contained in the grand-jury transcript. It is really taken for the purpose of laying a foundation for a commitment proceeding, which has never been taken for the reason that I did not care to consume the time that would be necessary, because I could get the testimony from the lips of other witnesses.

The CHAIRMAN. He refused to testify?

Mr. WOOLWINE. He refused to testify, and the only other man who was an official of a company whom we got to testify was the man named Cruikshank, whose testimony I have just referred to. Mr. Cruikshank had sold out to the Santa Ana factory for, I think it was, $3,000,000, and he was willing to testify; but he seems to be a straightforward, honorable man, anyway, and I think that he wanted to tell the story voluntarily without reference to that—a man of very high standing.

Now, just a few moments more and I will finish. This correspondence that I as district attorney was having with the Food Administration and with the President got into the Associated Press, and I began to receive communications by wire and by the mail from the

growers of various States; as I remember now, Colorado, Utah, Idaho. Wyoming, Montana, and Nebraska. The States to which I have just called your attention are represented by witnesses, representative men, beet growers, who are in this room at this time. The correspondence was to the effect that they wished me to do everything that I could to assist them; that they were having a similar fight; that they were not being paid sufficient to allow them to raise beets at any profit whatscever, and that this condition had existed through a course of years, and that they were very anxious to do something to remedy it, and asked if I would help. I kept up this correspondence until after the passage of the grand jury resolution which has been offered in evidence here in this proceeding, and finally, in spite of the fact that the matter had been referred to Mr. Merritt, the food commissioner or administrator there in California, and inasmuch as we had been able to arrive at no conclusion in California, I made up my mind to come to Washington.

The CHAIRMAN. I am going to ask you to stop right there, because you have left out a link, I think. You were speaking about the conference you had with Mr. Merritt and with some other gentlemen at dinner, and then you said you had a mass meeting, and you then said that in the meantime the grand jury investigation was going on, and you followed out the grand jury investigation, but you did not tell us what transpired at that mass meeting or how you and Mr. Merritt got along, did you?

Senator LODGE. Yes; he told us about that and the subsequent conference.

The CHAIRMAN. Oh, well, then, I was confused.

Senator LODGE. He told us about the subsequent conference in his office.

Senator VARDAMAN. Let me ask you who Mr. Merritt is. What is his business?

Mr. WOOLWINE. He is the representative of the Food Administration.

Senator VARDAMAN. I mean, what had been his business prior to that employment?

Mr. WOOLWINE. He was secretary of the State University at Berkeley, as I remember, and ran some kind of an experimental farm at Kearney for the State Agricultural College.

Senator VARDAMAN. Had he ever been connected with the sugar-growing or sugar-manufacturing industry?

Mr. WOOLWINE. Not to my knowledge.

Senator VARDAMAN. That is remarkable.

Mr. WOOLWINE. I then wired the persons referred to in various States asking them to meet me in Washington, and I came on here and at this time there are represented in this room the beet growers of the States to which I have just called your attention. Mr. Clyde Bishop, who is an attorney, represents, so he tells me, 47,000 acres of land in southern California. He is here. We have representative growers from California. The complaint seems to be general all over this beet-growing country that they have been badly treated by the refineries; that they can not raise beets at the prices offered, although in some of the States they offer as high as $9 on a 16 per cent basis; and that the refineries are making vast sums of money.

I do not state that from my own knowledge; I know nothing about it except from reports that I have gotten.

So far as the grand jury testimony in the proceeding in Los Angeles County is concerned, I should like to ask you, Mr. Chairman, if you want any part of it; and if so, what it is?

The CHAIRMAN. Could you file it with us and let us see such parts of it as we want to employ?

Mr. WOOLWINE. I could, and I wish to say this: That the grand jury testimony I offer is incomplete. That inquiry has not yet been concluded, and the reason that I came on at this time was for the reason that the beets have to be planted at an early day and on the urgent request of the grand jury of Los Angeles County, which, by the way, is composed of solid business men of that community, one of the best grand juries I have ever known to be assembled in a community and one that has that reputation in the county of Los Angeles.

Senator KENYON. Can you make that evidence public?

The CHAIRMAN. He has been authorized to do it. Now, will you state what, if anything, you know about a combination or an agreement among these manufacturers as to prices?

Mr. WOOLWINE. Of beets?

The CHAIRMAN. Yes.

Mr. WOOLWINE. I asked Mr. Henry Lee—as will appear from the grand-jury transcript, if his testimony is properly transcribed, and I take it that it is—if there was a combination between the refineries to force this price of beets upon the farmer. He first said "No." I said, "Do you mean to say that nothing has ever been done, that you have had no meetings, you have had no agreement, implied or expressed, that you are going to insist upon the same price, and that you have not insisted upon it in the years gone by?" He said "Yes." Then I got to pinning him down, and I finally said, "Do you mean to say that there is no such combination?" "Well," he said, "any man that has got any brains at all would know that that condition exists," and that is as far as he would go—that that is the case.

The CHAIRMAN. That leaves us in no position to dispute his conclusion.

Mr. WOOLWINE. I think not.

The CHAIRMAN. Senator Lodge suggests this question: Since you have come here, this delegation, along with yourself, what has transpired? When did you get here, and what have you been doing?

Mr. WOOLWINE. Before proceeding to that, for the purpose of the record, would you like to mark the grand-jury report?

The CHAIRMAN. Yes.

(The resolution of the grand jury, here referred to, had been heretofore marked "Exhibit No. 9" and printed in the record.)

Mr. WOOLWINE. I have in my hand here, in that very connection, the beet contract of 1918, which is substantially the universal contract offered the farmers in California. It is the contract of the Los Alamitos Sugar Co., and contains the scale of prices on the back. I thought you might care to put it in the record.

The CHAIRMAN. Shall I read this?

Senator LODGE. Oh, no; I do not think it is necessary. We have got the substance of it.

(The contract above referred to was marked "Exhibit No. 100, Woolwine No. 9," and is as follows:)

EXHIBIT No. 100.

BEET CONTRACT, 1918.

This agreement, made this ——— day of ———, 191—, by and between Los Alamitos Sugar Company, a corporation, party of the first part (hereinafter called the Factory), and ——— of ———, State of California, party of the second party (hereinafter called the Grower).

Witnesseth, That for the consideration hereinafter stated the grower has sold and transferred and does by these presents sell and transfer to the Factory the crop of sugar beets to be grown by the Grower on those ——— acres of land, more or less, situated in the county of ———, State of California, described as follows, to wit, ———, Rental 1-4 ——— to ——— P. O. ———.

The Grower hereby agrees to furnish said land for the purpose of said crop, and that he will in a manner in accordance with good husbandry and in conformity with the directions of the Factory during the crop season beginning November 1, 1917, and ending when the crop is harvested, not later than the close of the factory season in 1918, plant, cultivate, harvest, and deliver to the Factory, at its sheds or dump at ——— County, California, the crop of sugar beets to be grown upon said land.

The seed to be used in growing said beets shall be furnished by the Factory for the price of twelve (12) cents per pound, which the Grower agrees to pay. The price of all seed furnished hereunder, and the amount of all advancements made by the Factory to the Grower shall be a first lien and charge against the purchase price of the beets and shall be deducted from the price of the beets first delivered by the Grower.

In harvesting the beets they are to be perfectly trimmed (that is, cut squarely off) below the base of the bottom leaf and delivered free from stones, trash or other foreign substances, and subject to deduction for tare. After removal from the ground the Grower shall protect the beets from the sun.

All sound beets will be bought and paid for at the following rates:

The price will be based on the average net price received f. o. b. factory for sugar sold by the beet sugar companies of southern California (after deducting any tax on sugar not now but hereafter imposed by law) during the period of 12 months beginning July 1, 1918, as follows:

If the net price received for sugar during the period mentioned is 4½ cents per pound or under, we will pay $4.50 per ton for beets testing fifteen (15) per cent in sugar. If the average net price received for sugar exceeds 4½ cents per pound, an additional payment of $1 per ton of beets will be made for each one (1) cent in excess of 4½ cents net per pound received for sugar, fractions in proportions.

To the above price per ton of beets will be added for each additional one (1) per cent of sugar over fifteen (15) per cent, and deducted for each one (1) per cent below fifteen (15) per cent of sugar, fractions in proportion, an amount equivalent to one-fifteenth (1–15) of the price paid for a ton of beets testing fifteen (15) per cent in sugar. Beets testing under eleven (11) per cent will be accepted as if testing eleven (11) per cent if weighing less than five pounds. Factory reserves the right to reject beets testing under eleven (11) per cent and weighing over five pounds.

Beet payments on the 15th of each month for deliveries of the previous month will be based on $4.50 per ton of fifteen (15) per cent beets, adding to or deducting from that price as the tests are above or below fifteen (15) per cent in the regular manner. Further payments to be made from time to time as the net selling price of sugar can be determined. Final payment to be made not later than 30 days after the close of the selling period referred to.

(We print on the back of this contract a quick reference table giving beet prices based upon net prices of sugar and given beet tests.)

The contents of said beets shall be determined by daily tests made in the laboratory of the factory, and a sample shall be taken of each wagonload of beets delivered hereunder. Payments for all beets so delivered shall be on the basis of net weights as obtained at the factory.

If the grower shall attempt to sell, transfer, or mortgage said crop, or if the same shall be attached or seized upon execution or other legal process, or abandoned or neglected by the grower, then the factory shall have the right, at its option, to take possession of the crop and to complete the cultivation, harvesting, and delivery of the same, charging the expense of so doing to the grower.

The grower may, at his own expense, have representatives (weighman, tareman, and chemists) in scale house, tare room, and laboratory to check weights and work done, such representatives to be experienced in the line of work to be performed and satisfactory to the factory.

In the event of said factory being incapacitated by fire or otherwise at any time previous to the delivery of the entire crop covered by this contract, the factory shall have the option either to take said crop at the rates and on the terms aforesaid or to pay the grower at the rate of fifteen dollars ($15.00) per acre for any and all undelivered beets then under cultivation, or grown by said grower hereunder, allowing said grower to keep such undelivered beets. In case such incapacitation of said factory should occur before the land is planted in beet seed hereunder, then the operation of this agreement shall be forthwith suspended and its terms and conditions shall have no force or effect unless and until written notice shall be given by the factory to the grower that this agreement shall be reinstated, after which notice this agreement shall again be in full force and effect.

No agent of the factory is authorized to make erasures, additions, or alterations of the printed terms of this contract.

This agreement shall be signed in duplicate by both parties above named, and the grower hereby agrees not to assign same without the written consent of the factory.

Signed at Los Alamitos, California, this ——— day of ————————, 191—.

LOS ALAMITOS SUGAR COMPANY,

By ————————————————

————————————————— [SEAL.]

————————————————— [SEAL.]

(The foregoing contract is indorsed in red on the margin as follows:)

In harmony with the patriotic appeal of the U. S. Food Administration for an increased production of sugar, and believing that the average net price received for sugar will at least approximate seven cents per pound, the factory hereby agrees that the price to be paid for beets grown under this contract will be based on a net price for sugar of not less than seven cents per pound. The usual monthly payments to be made on this basis.

LOS ALAMITOS SUGAR COMPANY,

By ————————————————.

(The foregoing contract has on the back thereof a table of prices which is as follows:)

Quick reference table—Fraction of sugar prices and beet tests in proportion.

Percentage in beets.....	11	12	13	14	15	16	17	18	19	20
Price of sugar:										
4½ cents.....	$3.30	$3.60	$3.90	$4.20	$4.50	$4.80	$5.10	$5.40	$5.70	$6.00
5 cents.....	3.67	4.00	4.33	4.67	5.00	5.33	5.67	6.00	6.33	6.67
5½ cents.....	4.03	4.40	4.77	5.13	5.50	5.87	6.23	6.60	6.97	7.33
6 cents.....	4.40	4.80	5.20	5.60	6.00	6.40	6.80	7.20	7.60	8.00
6½ cents.....	4.77	5.20	5.63	6.07	6.50	6.93	7.37	7.80	8.23	8.67
7 cents.....	5.13	5.60	6.07	6.53	7.00	7.47	7.93	8.40	8.87	9.33
7½ cents.....	5.50	6.00	6.50	7.00	7.50	8.00	8.50	9.00	9.50	10.00
8 cents.....	5.87	6.40	6.93	7.47	8.00	8.53	9.07	9.60	10.13	10.67
8½ cents.....	6.23	6.80	7.37	7.93	8.50	9.07	9.63	10.20	10.77	11.33
9 cents.....	6.60	7.20	7.80	8.40	9.00	9.60	10.20	10.80	11.40	12.00

Quick reference table—Fraction of sugar prices and beet tests in proportion— Continued.

Percentage in beets.....	21	22	23	24	25	26	27	28	29	30
Price of sugar:										
4½ cents.....	$6.30	$6.60	$6.90	$7.20	$7.50	$7.80	$8.10	$8.40	$8.70	$9.00
5 cents.....	7.00	7.33	7.67	8.00	8.33	8.67	9.00	9.33	9.67	10.00
5½ cents.....	7.70	8.07	8.43	8.80	9.17	9.53	9.90	10.27	10.63	11.00
6 cents.....	8.40	8.80	9.20	9.60	10.00	10.40	10.80	11.20	11.60	12.00
6½ cents.....	9.10	9.53	9.97	10.40	10.83	11.27	11.70	12.13	12.57	13.00
7 cents.....	9.80	10.27	10.73	11.20	11.67	12.13	12.60	13.07	13.53	14.00
7½ cents.....	10.50	11.00	11.50	12.00	12.50	13.00	13.50	14.00	14.50	15.00
8 cents.....	11.20	11.73	12.27	12.80	13.33	13.87	14.40	14.93	15.47	16.00
8½ cents.....	11.90	12.47	13.03	13.60	14.17	14.73	15.30	15.87	16.43	17.00
9 cents.....	12.60	13.20	13.80	14.40	15.00	15.60	16.20	16.80	17.40	18.00

Mr. CHAIRMAN. That is the proposed contract for the coming crop?

Mr. WOOLWINE. Yes, sir. You see they sign up for the coming crop always.

The CHAIRMAN. Oh, yes.

Mr. WOOLWINE. Now, Mr. Chairman, so far as this grand jury transcript is concerned, what shall I do with it? Do you want to mark that? You do not want all of that to go in the record, do you?

The CHAIRMAN. We will not offer it, but we can receive it as an exhibit. We will not print all of it. We will print parts of it after it has been digested.

Senator JONES. Do you understand that similar contracts—I mean as to form—were used for prior years?

Mr. WOOLWINE. I could not answer that, but I think it can be fully answered by witnesses who will follow me.

Senator JONES. I should just like to make the request that if any of your people here have the contracts which were offered for three, four, five, six, seven, or eight previous years, I think it would be quite beneficial to have them. We would like to have them.

Mr. WOOLWINE. Yes, sir.

The CHAIRMAN. You have heard the request of Senator Jones, you gentlemen who are here—if you have those contracts, that you be prepared to produce them.

Senator JONES. If you have not them here, any of them, I should appreciate it if you would wire and get them here.

Mr. WOOLWINE. I will use every endeavor to get them for you, with pleasure.

Senator JONES. All right.

Mr. WOOLWINE. For the purposes of the record, Mr. Chairman, this grand jury transcript contains six volumes of various sizes. Should they be marked with the number, with an appropriate designation as to each one?

The CHAIRMAN. The reporter can identify them.

(The six volumes referred to were marked by the reporter "Exhibit No. 101, Grand Jury No. 1," "Exhibit No. 102, Grand Jury No. 2," "Exhibit No. 103, Grand Jury No. 3," "Exhibit No. 104, Grand Jury No. 4," "Exhibit No. 105, Grand Jury No. 5," and "Exhibit No. 106, Grand Jury No. 6.")

Mr. WOOLWINE. I would suggest that the witnesses are——

The CHAIRMAN. I want to ask you about what has transpired since you arrived here in Washington.

Senator LODGE. When did you arrive?
Mr. WOOLWINE. Last Monday night at about 8.30.
The CHAIRMAN. That would be Monday, December 17?
Mr. WOOLWINE. Yes, sir; Monday. Do you want me to go ahead in narrative form?
The CHAIRMAN. Yes.
Mr. WOOLWINE. The next day I received word from Mr. Hoover that he desired to see me. You do not care anything about the channels, do you, through which this word came?
The CHAIRMAN. Oh, no.
Senator LODGE. No.
Mr. WOOLWINE. And I made an engagement to meet him at 11 o'clock that day. I went there in company with Mr. Newberry, of Riverside, Cal., a beet grower and prominent man in that section, who came along with me. We had quite a consultation with Mr. Hoover about the situation, and Mr. Hoover then requested that we return at 5 o'clock for a conference between some of the representatives of the manufacturing concerns. We went back at 5 o'clock, but there were no representatives of those concerns there; but a long discussion was had as to the manner in which a proper price for beets should be arrived at and as to the manner in which that could be carried out and enforced. It was finally determined that a good proposition would be to have a commission appointed to sit in the various districts where beets were grown—that is, local committees composed of persons selected in a certain manner indicated, in order to get as far as possible an unbiased judicial body—and to have testimony taken, and to allow the grower a reasonable profit, to be fixed after testimony having been taken in the manner indicated. Mr. Hoover made an endeavor to get the refiners to agree to this so far as southern California is concerned, and I think so far as the other districts are concerned. I understand that the refiners so far have not—and the indications are that they will not—agree to any such procedure. I have been assured by Mr. Hoover and also by Judge Lamb, who is one of the attorneys there and to whom this matter has been referred for the working out of the details, that such a commission will be appointed in each beet-growing district whether the refiners desire it or not, and that that will be done at once.
The CHAIRMAN. When was it you came to this agreement or received these assurances from Mr. Hoover that these committees would be appointed regardless of what the refiners did? When did you get that assurance?
Mr. WOOLWINE. I was in the Metropolitan Club—let me see the day—it must have been Wednesday.
The CHAIRMAN. Wednesday of this week?
Mr. WOOLWINE. Wednesday of this week, and Mr. Hoover told me at that time—I was not lunching with him, but he came over to the table where I was sitting and told me at that time that he would insist upon that procedure, no matter what the refiners said.
The CHAIRMAN. Have you had meetings of the refiners since that time?
Mr. WOOLWINE. We never have had.
The CHAIRMAN. I mean, has Mr. Hoover had any to your knowledge since that time?

Mr. WOOLWINE. I know that he tells me, and so does Judge Lamb, that they have been attempting by various means to get the refiners to come in and agree to it.

The CHAIRMAN. If the prices were fixed by any commission, how did he tell you he was going to get the refiners to take your beets at those prices?

Mr. WOOLWINE. Do you mean if they bought beets at all? Is that your meaning?

The CHAIRMAN. No; we have this situation presented now: There are a lot of planters here who want to raise beets, and there is a limited number of men who usually buy those beets, and the men who usually buy are offering a certain price, and that is unsatisfactory to the planters. Now, Mr. Hoover proposes to have a commission meet and to determine what would be a fair price for the planter so that he will receive a fair profit. Now, suppose that commission does meet and does fix a price, what means is suggested by Mr. Hoover; how did he say he was going to make the manufacturers take the beets at that price?

Mr. WOOLWINE. There was a great deal of discussion about that, particularly with Judge Lamb.

The CHAIRMAN. What is it that they say they are going to do and that they can do?

Mr. WOOLWINE. They spoke of a milk investigation. That, however, was where the conflicting interests came in and agreed.

The CHAIRMAN. A milk investigation?

Mr. WOOLWINE. Yes; the fixing of the price of milk in some of the Northern States, and that they had had no difficulty there. I raised the legal question as to how in the world they could enforce any such finding. The impression seems to prevail with the Food Administration that it could be enforced if the manufacturers agreed to abide by the ruling of this commission.

The CHAIRMAN. If they agreed to be bound by the ruling?

Mr. WOOLWINE. Yes, sir.

The CHAIRMAN. That is to say, if they enter into a stipulation by which they agree between themselves and the beet growers for a good consideration—to wit, we will say, the planting of the beets by the grower—that they will pay him a price which is to be fixed by a commission, then that price could be paid. I think there will be no doubt about that if the contract is properly drawn; but did they suggest any means by which they could say to these beet manufacturers: "We have determined, by a commission or otherwise, what is a fair price for these beets. It is so much, and you must pay that for next year's crop"?

Mr. WOOLWINE. No; as I meant to say, in case they did not agree to this arrangement, he thought that the moral effect of a thing of that sort would be sufficiently great to force the price of beets to the proper figure. I do not mean to say that he indicated that they had not already offered the proper figure, because I do not know what is in his mind with relation to that, except this, that there has been correspondence from Mr. Rolph in which he stated that the price was fair to the producer.

The CHAIRMAN. There is correspondence of that kind?

Mr. WOOLWINE. Yes, sir.

The CHAIRMAN. The price which is now being paid?
Mr. WOOLWINE. Yes, sir.
The CHAIRMAN. Where is that correspondence?
Mr. WOOLWINE. I have got it. [After looking for papers.] If I may pass on——
The CHAIRMAN. No; I very much want that correspondence if you have it. I very much prefer to have it now if you have it.
Mr. WOOLWINE. I thought this, Mr. Chairman, ror the purposes of the record, to preserve the continuity of the story, would it not be best for Dr. Jones to present that when that time comes, when his testimony comes?
The CHAIRMAN. Would you object to letting me look at it now? I will hand it back to you.
(The witness handed certain papers to the chairman.)
Mr. WOOLWINE. I can get this other matter right here.
The CHAIRMAN. Mr. Woolwine, have you any correspondence other than that which Dr. Jones has here with reference to the California situation?
Mr. WOOLWINE. Yes, sir. That is just what I was looking for. You know, Mr. Chairman, this would have all been arranged so I could get at it if I had known just what you would require me to testify to.
The CHAIRMAN. An investigating committee is liable to want to investigate anything on earth. [After a pause.] Did you find the correspondence?
Mr. WOOLWINE. Yes, sir; under date of November 13, 1917, a letter to the Associated Sugar-Beet Growers of Southern California from Mr. Hoover.
(The letter was marked "Exhibit No. 107, Woolwine No. 10.")
The CHAIRMAN. This seems to be in reply to a wire of November 6. Have you that wire?
Mr. WOOLWINE. There was one, but I do not find it here.
The CHAIRMAN. If it is hereafter found, we will put it in.
(At this point the letter above referred to, Exhibit No. 107, Woolwine No. 10, was read aloud by the chairman, as follows:)

EXHIBIT No. 107.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., November 13, 1917.

The ASSOCIATED SUGAR-BEET GROWERS OF SOUTHERN CALIFORNIA,
Santa Ana, Cal.

GENTLEMEN: Referring to your wire of November 6, in regard to sugar companies in California, received, and I have carefully noted the points you mention.

In regard to the growers not being allowed to check the sugar tests, I have investigated the matter and find the companies are perfectly willing to have the growers have check chemists and tare men in their factories, so you must be misinformed on this point.

I have also investigated the price the companies will pay for beets, and find the prices are based on what the companies receive for their sugar. It seems to be a fair and equitable method, as the grower benefits in the same proportion as the sugar companies. Regardless of what the sugar brings, the companies have guaranteed for 1918 to pay the grower a price not less than would obtain under a contract if sugar nets 7 cents a pound, making a price for 15 per cent beet at least $7 per ton, and correspondingly higher price for beets testing over 15 per cent. I am informed the average test of beets in southern California is

from 18 per cent to 19 per cent, making a minimum price of from $8.40 to $8.90 per ton, with an increase over this equal to any increase over $7 received for sugar. It would seem, therefore, that the prices are fair and equitable and should give a large majority of the growers a fair profit.

At the request of the Government the sugar companies made a price for sugar of $7.25 seaboard basis when sugar was selling very much higher. This was done to meet the wishes of the Government to secure sugar at a reasonable price to the people of the United States and our allies at a time of emergency.

This is the time for everyone to try and increase the production of food supplies, and we therefore trust that all interested parties will work in harmony with the beet companies and that no one will interfere with the usual channels of securing the contracting of beets.

The Government is desirous of seeing the farmers secure fair and equitable prices for all their crops, but at the same time it has to consider the necessity of securing food for the people at reasonable prices. Please understand, the Food Administration did not fix the price of wheat and has no authority to fix prices of any commodities.

Sugar companies are only charging the grower 12 cents a pound for seed, when it costs them 30 cents a pound, and in many other ways they are put to additional expense and have shown that no unfair profit can be made on present prices.

We trust to your patriotism to see that no action of your association will tend to decrease the sugar production of this country, which will be greatly needed the coming year, when we will have to feed not only this country but our allies and the men who are fighting in the trenches.

We feel we can count on the farmers of California to do their bit cooperating with the sugar companies, who assure us they are desirous of paying the farmers highest prices possible for beets and at the same time giving sugar to the consumer at a reasonable price.

Yours, faithfully,

HERBERT HOOVER.

(During the reading of the letter:)

The CHAIRMAN. What is a tare man? The man who looks after the weights?

Mr. J. R. NEWBERRY. A man who looks after the tare, not the weight—the reduction by refuse matter that is in the weight.

(After the conclusion of the reading of the letter:)

The CHAIRMAN. Do you know who has a copy of the telegram to which this letter is a reply?

Mr. WOOLWINE. Mr. Clyde Bishop just tells me that he did have such a copy.

Mr. BISHOP. The original wire is with Mr. Hoover, but a copy of that wire is undoubtedly in the files in California.

The CHAIRMAN. But you haven't it here?

Mr. BISHOP. I haven't it; no.

The CHAIRMAN. We will ask Mr. Hoover to bring in the telegram.

Mr. MCGINNIS. I shall be very glad to give you that. I have it.

The CHAIRMAN. You have it?

Mr. MCGINNIS. Yes.

The CHAIRMAN. Was there any further correspondence that you had of this character, yourself?

Mr. WOOLWINE. If you will allow me, after the conclusion of my testimony I will look through my papers here and see if there is anything that will be of service to you.

The CHAIRMAN. Very well. Now you may proceed, if there is something more you want to say. I interrupted you. Perhaps you had better go back to the testimony.

Mr. WOOLWINE. I believe I can recall where I left off. You asked me about what had transpired here in Washington, and I was proceeding to tell you.

The CHAIRMAN. Yes.

Mr. WOOLWINE. I believe the last fact to which I testified was the conversation had with Mr. Hoover at the Metropolitan Club, in which he indicated that he would appoint this commission whether the refiners agreed or not, and then you were asking something as to whether any discussion was had as to whether or not the decrees of that body would be enforceable. That is where we left off.

The CHAIRMAN. Do you remember when it was, now, that the price of $7.25 was fixed for beet sugar?

Mr. WOOLWINE. I could not recall that.

The CHAIRMAN. But it was long before this grand jury investigation started?

Mr. WOOLWINE. So I understand.

The CHAIRMAN. Do you think of anything else that we ought to be informed of?

Mr. WOOLWINE. I will only state this: That that matter as to the appointment of these commissions in the various districts is, so I am informed, going ahead; and I have had assurances even as late as this morning from Judge Lamb, who is one of the attorneys for the Food Administration, that these committees will be appointed, and with such authority as the Food Administration has the right to give, to conduct the inquiry and to determine the price of beets.

The CHAIRMAN. This letter that is written here from Mr. Hoover, I believe bearing date of November 13, the last letter introduced, was addressed to the Associated Beet Growers. Is that an association that embraces most of the beet growers of southern California?

Mr. WOOLWINE. No; so I am informed; it represents about 47,000 acres. There are approximately 100,000 acres in southern California, as I understand, and sometimes it runs as high as 120,000. Am I right, Mr. Bishop?

Mr. BISHOP. Yes.

The CHAIRMAN. This association, then, represents approximately one-third of the acreage?

Mr. WOOLWINE. I should say more.

The CHAIRMAN. More than one-third?

Mr. WOOLWINE. There are persons here representing other sections—a large acreage.

The CHAIRMAN. The letter of Mr. Hoover was to the tenor and effect that you should take the prices that had been fixed, and that the prices were fair. You did not get Mr. Hoover out of that frame of mind until you began to have these mass meetings and the grand jury investigations, and finally came on to Washington?

Mr. WOOLWINE. I could not testify as to Mr. Hoover's frame of mind. I know this, that Merritt, the food commissioner for California, in the mass meeting urged upon the beet growers there assembled—there was a tremendous acreage represented, for there were approximately 600 growers there, who had come there on about 24 hours' notice—that the price offered by the refiners was fair and advised the beet growers to take that price, and said that what he had to say there was to be final, that there was no appeal from what he did there, that it had to be settled that afternoon.

The CHAIRMAN. What day was that?

Mr. WOOLWINE. The 7th of December, 1917. I have a transcript of the proceedings of that mass meeting.

The CHAIRMAN. Have you it with you?

Mr. WOOLWINE. No. I can get it right here. It is the only thing I did not bring up here.

The CHAIRMAN. It is in town, is it?

Mr. WOOLWINE. Yes.

The CHAIRMAN. We would like to have it.

Mr. WOOLWINE. That contains a transcript of the entire proceedings, with the exception that the reporter did not get there in time to take the remarks of myself in a talk that I made to the mass meeting, and the remarks of some other persons, previous to the main discussion there. But, so far as the discussion of that situation, in its details is concerned, the transcript contains it all.

The CHAIRMAN. Do you think of anything else?

Mr. WOOLWINE. I think not.

The CHAIRMAN. We will thank you if you will produce the papers you spoke of.

Mr. WOOLWINE. I have here a copy of the agreement that was reached in this milk proposition to which I have called your attention.

The CHAIRMAN. We are not investigating milk; unless it is connected with this other matter.

Mr. WOOLWINE. No. They said it would be done under the same terms, and according to the same procedure. I would rather keep that, if you do not care to have it.

Senator JONES. Mr. Chairman, I have handed me here, as a member of the committee, a letter from Mr. Hoover, to which he attaches a statement, and asked that it be read into the record in view of his inability to appear before the committee to-day. I suggest that you read the letter. It is short.

The CHAIRMAN. I will read the letter, but I am not in favor of putting in these ex parte statements that we have no change to examine about. The letter is addressed to the Senate subcommittee. There are a number of pages of this, possibly 20. I will submit it to the committee. Let us go on with the witnesses. It will take an hour to read that.

TESTIMONY OF CLYDE BISHOP, OF SANTA ANA, CAL.

(The witness was sworn by the chairman.)

The CHAIRMAN. State your full name.

Mr. BISHOP. Clyde Bishop.

The CHAIRMAN. Where do you reside?

Mr. BISHOP. I reside at Santa Ana, Orange County, Cal.

The CHAIRMAN. Your occupation or profession?

Mr. BISHOP. I am an attorney at law.

The CHAIRMAN. Have you had any connection with the beet growers or with the beet manufacturers?

Mr. BISHOP. Yes, sir; that is, with the growers; and with the manufacturers as far as we are able to get into conference with them.

The CHAIRMAN. You came here to Washington with this delegation of beet growers and interested parties that Mr. Woolwine just told about, did you?

Mr. BISHOP. Yes, sir.
The CHAIRMAN. And you have been subpœnaed over here?
Mr. BISHOP. Yes, sir.
The CHAIRMAN. I will thank you now if you will tell us what you know of the beet situation in California.
Mr. BISHOP. Mr. information is gained by having lived 30 years in the district there, particularly in Orange County, in which five out of the nine factories of southern California are located; also I have numerous clients among the beet growers and was the organizer and attorney for the Associated Beet Growers of Southern California, which embraces some four hundred and odd actual growers in number and practically 50,000 acres of actual beet-growing acreage.
The CHAIRMAN. What is the name of that company?
Mr. BISHOP. That is the Associated Beet Growers of Southern California, a nonprofit membership, legally organized California corporation. I have in my possession here a copy of its articles of incorporation and its by-laws, if you want them both.
The CHAIRMAN. You might file them.
(The papers referred to are printed in the record in full, as follows:)

EXHIBIT No. 108.

[Bishop No. 1.]

Articles of incorporation and by-laws of the Associated Sugar Beet Growers of Southern California.

ARTICLES OF INCORPORATION.

Know all men by these presents, that we, the undersigned, all of whom are residents of the State of California, have and do this day voluntarily associate ourselves together for the purpose and with the intent to incorporate and to form a corporation under and by virtue of the laws of the State of California, and to that end we do agree, certify, and declare as follows:
First. The name of this corporation shall be "Associated Sugar Beet Growers of Southern California."
Second. The purposes for which this corporation is formed are as follows:
(*a*) To receive and admit members to the corporation and to have a membership thereof consisting of growers and producers of sugar beets.
(*b*) To collect, obtain, procure, compile, and publish, for the use, benefit, welfare, and advantage of the members of the corporation in their business of growing and producing sugar beets, all useful information, data and statistics, whether, financial, industrial, scientific, or otherwise.
(*c*) To investigate conditions, methods, means and practices concerning the industry of sugar-beet growing and the making and marketing of sugar.
(*d*) To represent the members of the corporation in all controversies, investigations, and arbitrations before any and all committees, bodies, or officers, whether political, industrial, or legislative, and whether legally created or voluntarily assembled.
(*e*) When requested by any member or members of the corporation, to investigate any and all contracts offered or tendered by manufacturers of sugar or intended to be entered into by manufacturers of sugar with and by members of the corporation concerning the growing, harvesting, and sale of the sugar-beet product of such member or members; to advise such member or members as to the form, conditions, and legal effect of all such contracts, and by all legal means and efforts to procure the best and most advantageous conditions and terms of contracts concerning the growing, harvesting, and sale of the sugar-beet product of any and all members of the corporation.
(*f*) To assist, advise, and benefit the members of the corporation in their borrowing of money at the lowest obtainable rate of interest and their procure-

ment and employment of labor at a fair scale of wages in order to enable them to properly conduct and carry on their business of growing and marketing sugar beets.

(*g*) To provide for the calling and holding of meetings and assemblages of the members of the corporation for the purpose of mutual discussion and interchange of views upon and concerning the industry of sugar-beet growing and generally to advance thereby the industrial, economic, and social conditions and welfare of the members thereof.

(*h*) To appoint, employ, and pay agents of and for the corporation to investigate, examine, and make reports concerning any and all complaints, grievances, and claims of the members involved in the sugar-beet industry and proper to be comprehended and investigated by the corporation, and also to appoint, employ, and pay agents to represent the corporation and its members in the factories, warehouses, and places of business of sugar manufacturers.

(*i*) To receive, by purchase or otherwise, all real and personal property necessary and convenient for the business, objects, purposes, and powers of the corporation and to hold, enjoy, encumber, or dispose of such property, both real and personal.

(*j*) To make contracts and create indebtedness, including the borrowing of money, not inconsistent with the objects, purposes, and powers of the corporation; and to carry out and perform all such contracts and to pay and discharge all indebtedness created.

(*k*) To do, perform, and execute any and all acts and things necessary, proper, convenient, or essential to the whole and complete enjoyment, accomplishment, and fulfillment of the objects, purposes, and powers of the corporation, or which is, or from time to time may appear to be, necessary or incident thereto; provided, that no act or acts of the corporation shall be for the purpose of gain or to gain or obtain profit, and this corporation is and shall be created and exist for purposes other than profit, and is not created and shall not exist for the purposes of profit.

Third. The place where the principal business of this corporation is to be transacted is the city of Los Angeles, county of Los Angeles, State of California.

Fourth. The term for which this corporation is to exist is 50 years from and after the date of its incorporation.

Fifth. This corporation is not formed for the purpose of profit and is formed for purposes other than profit within the true intent and meaning of that term as used in subdivision 5 of section 290 of the Civil Code of the State of California, and its corporate powers, business, and property may and shall be exercised, conducted, and controlled by a board of directors consisting of such number of directors as may be provided in the constitution and by-laws of the corporation to be hereafter adopted, and this corporation may in its constitution and by-laws provide for the length of time that the directors or any number thereof shall act, and may in like manner provide that certain directors, to be selected by the corporation, or board of directors, in the manner and mode to be provided for in the constitution and by-laws, shall act for any length of time therein specified; provided, however, that the number of directors shall not be less than three and the names and residences of the three who are and have been appointed for the first year are as follows, to wit: Alex. Jeffrey, Zelzah, Los Angeles County, Cal.; V. E. Wire, Chino, San Bernardino County, Cal.; F. D. Plavan, Talbert, Orange County, Cal.

Sixth. This corporation shall have no capital stock, but shall have members, and shall consist of and be composed of members only.

BY-LAWS.

Article I. *Name.*—The name of this corporation shall be Associated Beet Growers of Southern California.

Art. II. *Number of directors.*—This corporation is formed for purposes other than profit within the true intent and meaning of that term as used in subdivision 5, section 290, of the Civil Code of the State of California, and its corporate powers, business, and property shall be exercised, conducted, and controlled by a board of directors of such number as shall be provided by these by-laws, and until otherwise provided the number of directors shall be nine, and five directors shall constitute a quorum.

Term of directors.—The time that a director shall act is hereby fixed at two years from and after the annual meeting of members at which he is elected, and until his successor is elected and qualified: *Provided, however,* That the

first nine directors of the corporation elected on the 9th day of June, 1917, shall, at their first meeting, so classify themselves by lot that a majority of them shall go out of office at the expiration of one year and a minority of them shall go out of office at the expiration of two years from that date, and at the annual meeting of members thereafter a majority or a minority of the board of directors, as the case may be, shall alternately be elected to serve for two years.

All vacancies occurring in the office of director shall be filled by appointment by the directors then in office, and the appointed person shall serve during the unexpired term of his predecessor and must possess all of the qualifications of the director whose successor he is.

Qualification of directors.—Each director shall be a member of the corporation in good standing and shall be an actual and bona fide resident of the territory or district from which he is elected, which territory or district shall have been previously established by the board of directors, provided always one director shall be of the Japanese race and a resident of the State of California.

The board of directors shall from time to time, by a resolution duly passed and adopted by them and entered upon their minutes, divide the State of California, or such portion thereof as is devoted to the industry of growing sugar beets, into territory or districts; provided, however, that all of the members of the corporation of the Japanese race shall constitute one district and there shall be as many districts as there are members of the board of directors.

Election of directors.—All directors shall be elected by the members of the corporation, and each member may cast as many votes for one director as there are directors to be elected, or may distribute the same among any or all candidates, but no director shall serve unless he possesses all of the qualifications, including residential qualification, provided for in these by-laws; but members residing in a district may nominate or propose a director for the district in which the nominated or proposed director and such members reside. A member may be present and vote, or he or she may have their vote cast by a valid proxy held by a member present and voting.

Duties of directors.—To cause to be kept a complete record of all the minutes, acts, and other proceedings of the members, and present a full statement and record thereof at the annual meeting of the members.

To supervise all officers, agents, and employees of the corporation and see that their duties are properly performed.

To exercise, conduct, and control the powers, business, and property of the corporation in an economic, safe, and legal manner for the best interest of the corporation and its members, in order to fully carry out and obtain the purposes for which the corporation was formed.

Powers of directors.—To call special meetings of the members when they deem it necessary, and they shall call a meeting whenever requested to do so in writing, signed by one-third of the members.

To appoint and remove at pleasure all officers, agents, and employees of the corporation, prescribe their duties, fix their compensation, and require of them security for faithful performance.

To conduct, manage, and control the affairs and business of the corporation and to make rules and regulations therefor not inconsistent with the laws of the State of California, or these by-laws for the guidance of the officers and management of the corporation.

To incur indebtedness, the term and amount of such indebtedness shall be entered in the minutes of the board, and the note or obligation given for the same, signed officially by the president and secretary, shall be binding upon the corporation.

Art. III. *Qualification of members.*—Any natural person actually engaged in the business of growing sugar beets in the State of California may become a member of this corporation when admitted to membership as provided for hereinafter in these by-laws.

Manner of admission.—Any person desiring to become a member of the corporation shall make application therefor in writing, signed by him or her, showing—(*a*) Place of residence; (*b*) number of acres devoted to sugar beets; (*c*) where located; (*d*) whether the land is owned or rented by applicant; (*e*) name of factory to which crop of preceding year was sold; (*f*) name of factory to which present or succeeding crops are to be delivered; (*g*) such further information as is required by the board of directors; (*h*) an agreement to accept, be bound, and governed by the by-laws, rules, and regulations of the corporation.

When an application is presented to the board of directors at a meeting thereof, accompanied by the membership fee, the board shall, by a majority vote. either reject or accept the applicant. If rejected, the applicant shall not become a member, but may reapply for membership at any time thereafter. If accepted, the applicant shall become a member and his application shall be filed, and the applicant shall assume all the legal obligations, incident to membership in this corporation and be subject to all the duties and obligations of law and of these by-laws, the same as if such member had actually signed and subscribed the by-laws.

A certificate of membership may be issued to all members of the corporation.

Withdrawal of members.—A member of this corporation shall have the right to withdraw therefrom by payment of all unpaid dues owing to the corporation on account of his membership and filing with the secretary of the corporation a notice in writing, signed by the member, that he withdraws, provided such notice must be filed with the secretary on or before the first Saturday in the month of November of each year, and unless a member shall file the notice of withdrawal on or before the first Saturday in the month of November he shall not have the right to withdraw until the next November.

The board of directors from time to time may fix and establish a fee or sum of money to be paid by an applicant as consideration for his admission to membership in this corporation.

ART. IV. *Officers.*—The officers of the corporation shall be a president, vice president, secretary, and treasurer, which officers shall be elected by and hold office at the pleasure of the board of directors. The compensation and tenure of office of all officers of the corporation (other than directors) shall be fixed and determined by the board of directors.

ART. V. *President.*—The board of directors shall, at their first meeting after the adoption of these by-laws, elect one of their number to act as president, and at the same time elect one of their number vice president, who shall take the place of and perform the duties of president in the absence or inability of the president to act.

In the absence of both the president and vice president the board of directors shall appoint one of their number to act as president, and for the time being such appointed director shall be vested with all the powers and perform all of the duties and functions of the office of president.

The president shall preside over all meetings of the members and directors and shall have the casting vote.

He shall sign as president all certificates of membership, all contracts, and other instruments in writing which have been first approved by the board of directors, and shall draw checks upon the treasurer.

He shall call the directors together whenever he deems it necessary, and shall have, subject to the advice of the directors, direction of the affairs of the corporation and of the agents and employees thereof.

The president or three of the directors may call special meetings of the directors at any time, and notice shall be given of such called meeting by mailing notice thereof to each director or leaving a written or printed notice at the last-known place of business or residence of the director at least 12 hours before the meeting.

Such service of notice shall be entered upon the minutes of the corporation, and the said minutes when read and approved at a subsequent regular meeting of the board shall be conclusive upon the question of service.

ART. VI. *Secretary.*—It shall be the duty of the secretary to keep a complete record of the proceedings of the board of directors and of the members.

He shall keep the corporate seal of the corporation and shall fill out and countersign all certificates of membership and make the corresponding entry in the margin of the book of certificates, and he shall affix the corporate seal to all papers requiring a seal.

He shall keep proper account books, attest all checks drawn upon the treasurer, and discharge such other duties as are prescribed from time to time by the board of directors.

The secretary shall serve all notices required either by law or these by-laws. In case of his absence or inability, or refusal, or neglect to do so, then such notices may be served by any person thereunto directed by the president or vice president of the corporation.

ART. VII. *Treasurer.*—The treasurer shall receive and safely keep all of the funds of the corporation and pay them out only on the check of the president, attested by the secretary and countersigned by the treasurer.

ART. VIII. *Meetings.*—The annual meeting of the members of the corporation shall be held in the city of Los Angeles, county of Los Angeles, Cal., at the hour of 10 o'clock in the forenoon of the first Saturday in the month of June in each year, and shall be called by a notice printed in the Daily Journal, a newspaper published in the city of Los Angeles, Cal., by at least three insertions therein next preceding the date of such annual meeting.

Regular meetings of the board of directors shall be held at the office of the corporation on the first Saturday in each month; at all meetings of the members a majority shall constitute a quorum to transact business.

ART. IX. *Amendments.*—The by-laws may be repealed or amended or new by-laws may be adopted at the annual meeting or at any other meeting of the members called for that purpose by the directors by a vote representing two-thirds of the members. The written assent of two-thirds of the members is effectual to repeal or amend these by-laws or to adopt additional by-laws.

The power to repeal and amend these by-laws and to adopt new by-laws may, by a similar vote at such meeting or similar written assent, be delegated to the board of directors.

Any amendment or new by-law when adopted must be copied in this book of by-laws and immediately after them.

The fact and date of repeal of a by-law, showing the meeting at which the repeal was enacted or written assent was filed, must be stated in the margin of the article repealed, and until so copied or stated no by-law, nor any amendment or repeal thereof, can be enforced against any person not having actual notice thereof.

ART. X. *Seal.*—The corporation shall have a seal consisting of a circle having upon its circumference the words "Associated Sugar Beet Growers of Southern California. Los Angeles, Cal." And in the center "Incorporated May 31, 1917."

Mr. BISHOP. The purpose of the association, as the articles will show, was to create a body that by the association of interests could become effective for the purpose of increasing acreage and benefiting the condition of the grower, the assembling of data, furnishing of information, and to present their cause to any organized body. We came to Washington, as Mr. Woolwine stated, in order to present to Mr. Hoover correctly the conditions, so far as the grower is concerned, as we know it from experience in southern California.

The CHAIRMAN. Tell us what that condition is. By the way, as you go along, if you can, I wish you would tell us the prices that have been paid for beets.

Mr. BISHOP. The conditions in southern California, so far as the growing of beets is concerned, are as follows: The cost of the production of an acre of sugar beets, on the average throughout that district, from Lomboc, Santa Barbara County, to Chino, San Bernardino County, is practically $95.

Senator VARDAMAN. Ninety-five dollars an acre?

Mr. BISHOP. Yes, sir; that is the production cost. I can present you assembled data from actual investigation made from growers, if you desire me to do so, showing the items that go to make up that cost. The actual average production of tonnage per acre for the same territory is practically 9½ tons. The actual sugar percentage of the beets grown in that same territory is 17.5 per cent sugar. The price offered by the factories to the grower since the inauguration of the sugar manufactory out of beets in Orange County—and I saw the first factory built and the last one built—has been $4.50 for beets producing or containing 15 per cent sugar.

Senator VARDAMAN. That is the average price for all these years?

Mr. BISHOP. That is the base, Senator, always. Those contracts simply start with a base figure of $4.50 a ton for 15 per cent beets. Up until this present year they have also contained a clause that for each percentage of sugar above 15 per cent an additional 30 cents per cent would be paid.

The CHAIRMAN. Thirty cents?

Mr. BISHOP. Yes, sir; that is, up until the present contract now being offered the grower, and with a decrease of 25 cents for each per cent that it fell below 15 per cent down to and including 11 per cent, at which they had the right under the contract to reject the beets and not manufacture them into sugar. This last year, or the crop which they began to harvest about August, and which is now practically complete, they did raise from $4.50 by two raises until they finally reached $6.50. The first raise was offered immediately after a session held by the association with Mr. Winestock, the State Market Director of California, and representatives of the factories. They voluntarily made that raise and have paid it.

The CHAIRMAN. What was it that induced them to voluntarily do it?

Mr. BISHOP. I presume it was the agitation that went on. I never have given them credit for doing anything out of the largeness of their hearts. I think they did it simply because they did not want the facts to be shown which we are endeavoring to show. That is my version of it. I may be entirely wrong. But nevertheless it was following that session that the raise was made within the next two days.

Senator VARDAMAN. What is the average production of sugar per acre?

Mr. BISHOP. The average production, Senator, could be easily arrived at by a multiplication of 9½ tons at an average of the 17.5 sugar content. That is the average. Your Federal Trade Commission says that the average production for sugar beets in southern California for a period from 1904–1914 of tonnage per acre was 10.26 tons. But there has been a decided falling off in the past three years of tonnage per acre, based upon the depletion of the soil, the soil not being kept up by fertilization. That is a scientific truth.

The CHAIRMAN. At the prices that have been paid, were the farmers able to make any money?

Mr. BISHOP. Let me complete my statement now, Senator.

The CHAIRMAN. Very well.

Mr. BISHOP. This year they did put forth a contract, after the agitation commenced, after the association had twice written them courteously for an opportunity to confer with them upon three problems which seem to be serious to the grower, namely, the labor conditions; second, the right to have representatives in the refineries or in the factories for the purpose of the test of sugar content, for the purpose of the tare, and weighmasters for the purpose of the weights; and, third, upon price. Those three things we desired to confer with them on, and twice wrote them, and were met with absolutely being ignored, except by one factory, who did write us

a courteous letter to the effect that the contract they were offering was eminently fair and they thought there was nothing for us to discuss. That was Mr. J. Ross Clark's factory, at Los Alamitos, Cal. However, they then put out a contract in which they proposed to pay $7 for 15 per cent beets, and 47 cents for each percentage over and above 15 per cent beets. This contract was not satisfactory to the grower. The grower can not produce beets in southern California at a profit at any such figure.

The CHAIRMAN. Why?

Mr. BISHOP. Because of the tonnage produced, the sugar content, and the cost of production.

The CHAIRMAN. But you did raise them for years at $4.50 and got along in some way?

Mr. BISHOP. Yes.

The CHAIRMAN. And now when it goes up to $7, what is the reason that he can not do it?

Mr. BISHOP. The reason is this: You know that the cost of nearly everything that the farm has to buy has doubled in price. Then there is the depletion of the soil by constant planting, and it is not being brought back by fertilization, and then there is the increase in the cost of labor.

Senator VARDAMAN. What is the cost per acre of proper fertilization? Do you fertilize it every year?

Mr. BISHOP. The orange orchard costs from $8 to $12, and I can not see why the same would not apply to beets.

Senator VARDAMAN. How are these beets raised—by small farmers or in large quantities?

Mr. BISHOP. Seventy-five per cent of the beets raised in southern California are raised by renters on an acreage varying from 75 to 200. There are some that are larger than that.

Senator VARDAMAN. What rent do they pay per acre?

Mr. BISHOP. The crop rent is usually one-fourth to one-third, but the average is 7.24 of the crop. That is what they pay as a crop rent.

Senator VARDAMAN. The landlord and the tenant are alike interested in the question that you are discussing?

Mr. BISHOP. They naturally would be.

Senator VARDAMAN. Do they pay money rent?

Mr. BISHOP. There is considerable money rent.

Senator VARDAMAN. How much is that in dollars and cents?

Mr. BISHOP. Usually around $27 per acre.

Senator VARDAMAN. What are those lands worth?

Mr. BISHOP. Those lands are worth, according to productive value, from $350 to $400 per acre, and the assessed value is about $185 to $210 per acre.

Senator VARDAMAN. Are the lands irrigated?

Mr. BISHOP. Some of them are irrigated and some of them are drained. The lowlands in Orange County near the Pacific Ocean require drainage in the wet season, and those farther back require irrigation in the dry season.

Senator VARDAMAN. What character of labor have you?

Mr. BISHOP. The labor is largely Mexican. I think it would be fair to say that 95 per cent of the thinning and hoeing and topping and loading is done by peon Mexican labor.

Senator VARDAMAN. They work by the day?

Mr. BISHOP. Heretofore, up until the present year, they were able to secure contracts. One Mexican took a contract and secured his own labor. This year's was done almost entirely by day labor, which resulted in mighty high prices for labor.

The CHAIRMAN. Speaking about Mexicans, is it or is it not a fact that it is impossible or practically impossible to get white labor, especially white native labor, to do the work on these beet farms?

Mr. BISHOP. If the white labor desire to follow agriculture, they are so much better paid in the nut industries and the citrus-fruit industry that they will not touch this class of labor.

Senator VARDAMAN. Do you use very much Japanese or Chinese labor?

Mr. BISHOP. We have some Japanese and Chinese labor, but the Japanese is smart enough to do business on his own account. He is not laboring for the other fellow at all.

Senator VARDAMAN. He is a progressive man?

Mr. BISHOP. Yes. One of the directors of this association, Mr. Tawa, is a Japanese. He represents 5,000 acres of Japanese land.

The CHAIRMAN. You heard the testimony given here by Mr. Woolwine about the conferences that have taken place in Washington. Do you concur in his version?

Mr. BISHOP. I can corroborate everything that Mr. Woolwine has said in his statement, other than that which took place before his grand jury, and I do corroborate it.

The CHAIRMAN. If the price of beets is not materially raised, what will be the result to the beet-producing industry in California?

Mr. BISHOP. The result will be that there will not be 50 per cent, and I do not believe over 45 per cent, of the acreage of 1917 planted for the coming season. Mr. Woolwine stated it was necessary to commence planting on a certain character of land in the latter part of December, and that is correct. The other planting is begun along in the middle of February to the middle of March.

The CHAIRMAN. If the price had remained where it was on November 13, when this letter of Mr. Hoover's was written, and there had been no relief granted, what beets would have been planted?

Mr. BISHOP. Just one element of industry would have been carried out. The planter who was a renter on land owned by the sugar company would have planted, because he would have to do it. The other men would not have done it.

The CHAIRMAN. Do the sugar companies own a great deal of land out there?

Mr. BISHOP. Not in comparison with the total number of acres planted.

The CHAIRMAN. Then it would have practically been a death blow to the sugar business in that country?

Mr. BISHOP. It would, so far as the coming season is concerned, or any successive season where the conditions prevail as they do now.

The CHAIRMAN. The way the beet producer out there got the situation remedied was by these agitations and grand-jury investigations and by insisting on coming here to be heard?

Mr. BISHOP. I presume that is a fair summing up of how it was brought about.

The CHAIRMAN. Do you have anything to add to what Mr. Woolwine said about the way he suggested or proposed that the beet companies can be compelled to pay the price that is fixed?

Mr. BISHOP. My view of the act is that it does not vest in the commission the power to appoint a commission with power to suppœna and swear witnesses and compel them to produce evidence, nor do I think it has power to say to the manufacturing company that a certain price is fair and must be paid. We are very much in hopes, and I believe it will be accomplished, that the refiner—and when I speak of the refiner I refer to the sugar manufacturer—will come in and indorse upon his contract that he will abide by and pay an amount per ton for beets that this commission, after taking the testimony, will decide is fair. I think they will do that. I have no quarrel with our refiners, except that they want all of the money, and do not want the farmer to have any. That is the whole story; and we do not propose to have it that way if we can help ourselves.

The CHAIRMAN. It has been suggested to me that you have a tabulation of the number of growers.

Mr. BISHOP. I have a tabulation here compiled by William Webster, who is the field manager and statistician of this organization I speak of, which is the result of personal interrogation of 59 farmers in the entire district represented by the association, from one end to the other, containing their residence and their names, showing exactly what they found it cost them to produce beets per acre, what their losses were and their profits, even to figuring out how much it costs to feed the horse for the number of days that he works in the field.

The CHAIRMAN. Do you regard that from your experience out there as a reliable statement that this committee can take with assurance that it is reasonably correct?

Mr. BISHOP. This statement is, in my judgment, absolutely all right.

The CHAIRMAN. I suggest that we put this tabulation in the record and have it marked.

(The tabulation produced by the witness was marked "Exhibit No. 109, Bishop 2," and is as follows:)

EXHIBIT No. 109.

COST OF PRODUCING SUGAR BEETS IN THE SANTA ANA DISTRICT DURING 1917.

A brief field survey, covering 59 farms on which sugar beets were grown in 1917, was made during early December. A careful estimate of all cost items was made, beginning with the cost of man and horse labor per day worked. Owner's time was allowed for at going wage of teamsters whenever he was actually employed on the beet crop. Each operation was figured separately and the total man and horse labor per acre estimated. An itemized list of equipment was charged against the total acreage which it handled, whether in sugar beets or some other farm crop. The annual repair bills were also figured. In recapitulating total costs, the operating costs were figured as stated above. Equipment costs, consisting of 7 per cent interest on investment in equipment, 10 per cent depreciation, and the annual repair bills were added. One dollar and twenty cents per acre was allowed for interest on working capital figured on $30 for six months at 8 per cent. Five dollars was added for supervision.

This cost is seldom paid out in cash, but seems a reasonable allowance for such service. Land rental was figured at seven twenty-fourths of the gross returns.

These data cover only a very small per cent of the sugar-beet growers. They may or may not apply to other districts. The inquiry developed two points, however, which seem to apply rather generally, namely, first, there is a certain acreage, indefinite in amount, but of considerable total importance, on which beets were reasonably profitable during 1917, but on which beans were very much more profitable; second, there is another acreage, again indefinite in amount, but of considerable total importance, on which beets have been grown year after year without fertilizers until satisfactory yields are no longer possible, under the past system of management. In this connection, it is worthy of note that only one-sixth of the farmers interviewed had applied fertilizer, and some of those only in a very limited way.

It is suggested that the relations between the landlord and tenant are frequently at fault in the sugar-beet business. Both the growers and refiners state that about 75 per cent of the beets produced in southern California are grown on leased land. These leases are almost invariably for a one-year term only, and do not provide for fertilization. It seems that at times, too, inflated valuations are used on which to base rentals, for cash charges of as high as $40 and even $50 per acre were found. Crop rentals seem more common than cash rentals and these vary from one-third to one-fourth the crop.

The following pages give a tabulation and summary of the data presented.

COST OF PRODUCING SUGAR BEETS, 1917.

Buena Park, 1 farm; Downey-Norwalk, 26 farms; Irvine, 1 farm; Talbert, 5 farms; Westminster, 10 farms; Wintersburg, 16 farms. Number acres in beets, 1917, 4,389.5; yield, 10.76 per cent; sugar, 17.5. Receipts, $83.39. Cost of feeding a horse, 1917, $151.30 per year, or 95 cents per day worked.

How many days per year did your horses work, 1917? One hundred and sixty days.

How much did you pay hired teamsters per day, 1917? $2.95.

Land rental per acre: Seven twenty-fourths of crop.

If all land is owned, what is a fair rental value? ———.

If you own tractor, what does it cost per day to operate? ———.

Costs of field operation and equipment.

[Acres operated, now, 5,993.]

Operation.	Per acre.	Item.	Value, 1915.	Value per acre.
Plowing	$4.28	Stock	$64,445.00	$10.75
Preparation	3.95	Harness	7,512.00	1.25
Planting	.45	Tractors ($15.70)	22,000.00	3.70
Cultivation	2.43	Plows	10,867.00	1.81
Rolling	.73	Cultivators	4,516.00	.75
Thinning	5.29	Harrows	1,607.00	.26
Hoeing	3.31	Discs	2,483.00	.41
Irrigating	3.28	Cyclone	385.00	.06
Plowing out	3.50	Drags	898.00	.15
Topping, per ton, 85 cents	9.15	Roller	2,100.00	.35
Hauling, per ton, 47 cents	5.05	Planter	2,525.00	.42
Fertilizer	1.14	Chisel	1,173.00	2.20
Seed	2.24	Wagon	10,608.00	1.77
		Irrigation pipe	14,473.00	2.41
		Miscellaneous	3,695.00	.62
Total	44.80		149,487.00	24.95

RECAPITULATION.

Operating costs (per acre)	$44.80
Equipment costs (per acre)	5.22
Land rental (per acre)	24.30
Interest on working capital (per acre)	1.20
Supervision (per acre)	5.06
Interest ($1.73 per acre)	10,464.09
Annual repairs ($1.02 per acre)	6,106.00
Depreciation at 10 per cent (per acre)	2.50

Hay was figured at $20 and barley at $45. Each horse operated on an average 14.4 acres, at an average cost of $10.50 per acre for horse feed alone. If hay is $30 and barley $60 per ton in 1918, the horse costs will increase 50 per cent, or $5.25 per acre. This would increase the total 1918 costs to $85.82. Where hay is produced on a part of the farm, the actual horse costs would probably be somewhat reduced.

The average yield and sugar content even for these farms are very nearly the State averages. The Federal Trade Commission reports 10.3 tons of 17.75 per cent beets for the 11 years 1904–1914, inclusive. At the 1918 price of $7 per ton for 15 per cent beets, plus $\frac{1}{15}$, or 46⅔ cents for each added per cent, plus a 50-cent bonus, the State average of yield and sugar content would give $90.72.

Statement of horse accounts, 1917.

[Based on amount of feed used, with hay at $20 and rolled barley at $45 per ton.]

Cost per year.	Days used.	Cost per year.	Days used.
$200.00	150	$150.00	150
202.70	175	150.00	150
122.50	150	165.00	165
155.00	150	200.00	200
187.50	150	120.00	200
170.00	150	200.00	180
166.00	150	195.00	150
150.00	150	140.00	150
200.00	200	180.00	150
150.00	125	162.50	160
150.00	180	150.00	150
150.00	125		
140.00	170	3,631.20	3,830

Average cost per year, $151.30; average number of days used, 159.58. $151.30 divided by 159.58 equals 95 cents per day worked.

List of growers, with numbers corresponding to those used on tabulation sheet.

Name.	Residence.	Name.	Residence.
1. J. E. Sweet	Downey.	31. J. E. Heath	Downey.
2. E. E. Ball	Do.	32. J. H. Clark	Norwalk.
3. James Hughan	Do.	33. R. Stocks	Buena Park.
4. E. A. Sproul	Do.	34. S. S. Dilley	Downey.
5. Wm. J. Bohme	Do.	35. Martin Stoll	Do.
6. James Dilley	Do.	36. James W. Drake	Do.
7. J. C. French	Do.	37. C. E. Irish	Norwalk.
8. H. S. Schack	Do.	38. Geo. Buehn	Downey.
9. Geo. Peterson	Do.	39. S. H. Dent	Studebaker.
10. Frank Bohme	Do.	40. Ray Branscom	Downey.
11. James Nussachia	Do.	41. S. M. Duggan	Santa Ana.
12. R. Nottingham	Do.	42. E. A. Garner	Winterburg.
13. D. J. Williams	Do.	43. W. W. Blaylock	Do.
14. A. W. Bangle	Do.	44. D. D. Gardner	Do.
15. A. Beauchamp	Do.	45. R. L. Draper	Do.
16. John Husacha	Do.	46. D. McMillan	Do.
17. Arthur M. O'Kell	Do.	47. Jap	Do.
18. W. Dean Johnson	Westminster.	48. J. S. McMillan	Do.
19. J. B. Namecavels	Do.	49. Dennick	Do.
20. Edwards Bros	Do.	50. W. Lewis	Do.
21. A. T. Hauptman	Do.	51. A. H. Moore	Do.
22. H. F. Pennel	Do.	52. R. Mallett	Do.
23. A. D. Skinner	Do.	53. Wm. Keseman	Do.
24. M. Terry	Do.	54. Ray Moore	Do.
25. G. T. Rice	Do.	55. A. Ruoff	Do.
26. Davis Bros	Do.	56. E. Kettler	Do.
27. Greg Harper	Talbert.	57. J. Kettler	Do.
28. Robt. Gisler	Do.	58. Robert Hazzard	Westminster.
29. J. H. Pope	Do.	59. Wm. Jerome	Irvine.
30. Sam Talbert	Do.		

(Thereupon, at 1 o'clock and 10 minutes p. m., the subcommittee took a recess until 2 o'clock and 30 minutes p. m.)

AFTERNOON SESSION.

The subcommittee reconvened at 3.05 o'clock p. m.

Present, Senators Reed (chairman), Vardaman, Jones, Lodge, and Kenyon.

The CHAIRMAN. This statement ought to be made: This morning the committee was necessarily a few minutes late in assembling, and we were confronted with the fact that there were a large number of witnesses here from California who could stay only at great personal inconvenience, and, as the committee intended to adjourn the hearings shortly after 5 o'clock this evening until next Friday, we felt that it would be a great hardship to ask the California and Colorado and Nebraska and Utah and Wyoming people, all of whom were here on the same mission, to remain, and therefore it was suggested we postpone hearing Mr. Hoover until next Friday morning. I inquired if there was a representative of Mr. Hoover in the room, and a gentleman from Mr. Hoover's office said he represented him; and I stated the facts to him, and, further, that the committee would give Mr. Hoover the right of way next Friday morning and would furnish him with a copy of the testimony if it could be printed by that time, and asked him if the adjournment would be agreeable, and he replied, in substance, that it would be entirely so; and that is the reason that the testimony of Mr. Hoover has not been offered at this time.

The committee holds that the statement sent by Mr. Hoover to the committee will not be received, because they expect to put Mr. Hoover upon the witness stand and examine him, as other witnesses.

TESTIMONY OF J. R. NEWBERRY.

(The witness was sworn by the chairman.)

The CHAIRMAN. You reside in California?

Mr. NEWBERRY. Yes, sir.

The CHAIRMAN. Where?

Mr. NEWBERRY. Riverside.

The CHAIRMAN. You came here with this delegation in regard to the sugar situation?

Mr. NEWBERRY. I did.

The CHAIRMAN. What is your occupation?

Mr. NEWBERRY. Well, I have been a merchant all my life, but a farmer also.

The CHAIRMAN. Are you familiar with the beet farming out there?

Mr. NEWBERRY. I am.

The CHAIRMAN. What have you to say with respect to the prices that beets have commanded in the years that are past, as to prices and as to the conditions?

Mr. NEWBERRY. I have been planting beets—have been behind men planting beets—for the last 10 years, and in former years, when our land was new and producing heavily and the labor conditions were very favorable, we could produce beets, and did produce beets, at $4.50 a ton profitably.

The CHAIRMAN. How many years back is that?

Mr. NEWBERRY. The beet business has been running behind the last three years.

The CHAIRMAN. That is, you mean the profits have been decreasing?

Mr. NEWBERRY. The profits have been decreasing; yes, sir.

The CHAIRMAN. How much of a profit was it in the former years, back of those three years? Was it what you would call a living profit, or was it a very close margin?

Mr. NEWBERRY. I can only speak from a landlord's standpoint up to three years ago. Then my renters paid their rent promptly; but the last three years I have had to make concessions to my renters.

The CHAIRMAN. Why?

Mr. NEWBERRY. Because they could not pay; they did not get money enough out of the business to pay their labor and their rent.

The CHAIRMAN. Last year how was it?

Mr. NEWBERRY. One renter that had 146 acres then ran behind $1,600.

The CHAIRMAN. We have no time for details. Generally speaking, tell the committee whether the price of $4.50 during the last three years has been sufficient to pay the cost of production and a reasonable profit?

Mr. NEWBERRY. We have received more than $4.50. Our contracts called for $4.50, but the refiners, in order to keep the people to work, gave bonuses of $1, of $1.50, and $2.

The CHAIRMAN. When were these bonuses paid, when the crop was raising or after it was raised?

Mr. NEWBERRY. No; this $1.50 was promised us before it was planted last year.

The CHAIRMAN. Then they had a contract, and then in order to get people to plant under the contract they said to them: "We will give you a certain amount more if you will go on and put in a crop."

Mr. NEWBERRY. That is it.

The CHAIRMAN. What was the reason they did that? Was that because the farmer was not going to plant, or what was the reason?

Mr. NEWBERRY. They would make certain advances to the farmers, as a rule, and they saw that unless they did pay that much more the people could not pay their help at all, and they were obliged to pay that or have everyone——

The CHAIRMAN. Or have the crop fail; that is what you mean to say?

Mr. NEWBERRY. Yes, sir.

The CHAIRMAN. What prices are being offered? I guess there is no dispute what is being offered here?

Mr. NEWBERRY. No, sir; $7 and $7.50.

The CHAIRMAN. Now, can beets, in your judgment, be raised during the coming season—that is, the crop that will be planted in a few days now in California and be harvested next August or thereabouts—can those beets be raised at the prices that have been offered?

Mr. NEWBERRY. They can not.

The CHAIRMAN. Would that be an absolute loss?

Mr. NEWBERRY. It would be an absolute loss; and the renters can not raise money to pay their help.

The CHAIRMAN. What would be the result, now, if the prices are not raised, as to planting or not planting?

Mr. NEWBERRY. They will not plant beets.

The CHAIRMAN. How much acreage do you represent?

Mr. NEWBERRY. About 2,100 acres in our immediate neighborhood, and I do not think that there will be—I think there can not be 100 acres planted under the present offer.

The CHAIRMAN. This 2,100 acres you represent, is that first-class sugar-beet land?

Mr. NEWBERRY. I think it is.

The CHAIRMAN. That is all.

Senator VARDAMAN. Can you tell me what the manufacturer could afford to sell sugar for if he bought his beets for $7 a ton? What would it cost to manufacture that sugar?

Mr. NEWBERRY. There is a dispute with the refiners. There are two processes of refining, as I understand it. There is a new process which gets about 290 pounds of sugar to the ton of 19 per cent beets. The other, the old process, they get about 270 pounds by. If they get 290 pounds out of a ton of beets, it would figure that the refiner would be paying us, for the acreage producing, about $2.35 a hundred for sugar.

Senator VARDAMAN. For sugar?

Mr. NEWBERRY. Yes.

The CHAIRMAN. You mean that he could manufacture the sugar, then——

Mr. NEWBERRY. No; that is what the raw product would cost him. According to the best details that we can get, it would cost him about 3½ cents for refining, including the price of the beets.

Senator VARDAMAN. Including everything, 3½ cents?

Mr. NEWBERRY. Yes.

Senator VARDAMAN. Three and a half cents a pound for the sugar?

Mr. NEWBERRY. Yes.

Senator VARDAMAN. What would it cost the refiner, if you know?

Mr. NEWBERRY. Basing that on the advanced price they claim now they are paying for labor, it may cost them $12 a ton, but I do not believe it will cost that; and they get out of the sugar and by-products, at the price fixed by the Government, about $25 a ton. Our people are dissatisfied because they do not believe they are getting their proportion of the money.

Senator VARDAMAN. You say they are getting out of the beets and by-products $25 a ton for the beets they buy for $7 or $6?

Mr. NEWBERRY. Yes, sir; $6.50.

Senator VARDAMAN. Have you made figures on this?

Mr. NEWBERRY. Yes.

The CHAIRMAN. Have you got them with you?

Mr. NEWBERRY. Mr. Woolwine has my papers with my testimony before the grand jury. It is easy to figure it out, because we know that they get 290 pounds of sugar out of a ton of beets.

The CHAIRMAN. Now, so that we may make it plain, the beet refinery buys the beets and they pay about $4.50 a ton for them. At the present time they are paying about $6.50, and they propose to pay $7 to $7.50?

Mr. NEWBERRY. Yes, sir.

The CHAIRMAN. I may be in error about this, but I think I am right, substantially.

Mr. NEWBERRY. $7.

The CHAIRMAN. You say that out of the sugar which they get from that ton of beets they get, in sugar and in by-products, the equivalent of $25 a ton?

Mr. NEWBERRY. Yes.

The CHAIRMAN. And you also say that you understand that, counting the cost of the beets and the cost of the manufacture of the beets, the cost of sugar to the manufacturer is 3½ cents a pound?

Mr. NEWBERRY. I would say, with the increase in the cost of labor, it would be approximately 4 cents a pound at $12 a ton.

The CHAIRMAN. Four cents a pound. What are the by-products they get out of those beets?

Mr. NEWBERRY. The dried beet product, which they feed to stock and for which they are getting $31 a ton to-day. I bought some just to be able to testify as to the price they charge. Then there is the molasses, for which they get $21 a ton. Those are both by-products.

The CHAIRMAN. Is there anything else?

Senator VARDAMAN. No.

The CHAIRMAN. Senator Jones, have you any questions?

Senator JONES. No.

The CHAIRMAN. Now, of course the beet pulp that they sell for cattle food, that does not mean a ton of beet pulp for every ton of beets, but that is a by-product?

Mr. NEWBERRY. Oh, no. You see, it is the pulp of the beets after it is dried and evaporated.

The CHAIRMAN. That is all.

Senator KENYON. I would like to ask if any of these refiners have suffered financial embarrassment and gone into the hands of a receiver?

Mr. NEWBERRY. Not when they pay 200 to 250 per cent dividends.

Senator KENYON. Is that what they pay? Do you mean that?

Mr. NEWBERRY. Yes; I do.

The CHAIRMAN. When you say that, do you mean on their stock or on their investment?

Mr. NEWBERRY. On their investment.

Senator JONES. I would like to ask just a question, to see if I understand what you have already stated.

Mr. NEWBERRY. Yes, sir.

Senator JONES. You say that on the basis of present prices of sugar the factory would get about $25 for a ton of beets?

Mr. NEWBERRY. For the product of a ton of beets.

Senator JONES. The product of a ton of beets?

Mr. NEWBERRY. Yes.

Senator JONES. Including the proportionate part of a ton of pulp which would be derived from the given ton of beets?

Mr. NEWBERRY. Yes, sir.

The CHAIRMAN. And the sirup that would come from that ton of beets?

Mr. NEWBERRY. Yes, sir.

Senator JONES. At the present price of those commodities it would figure out $25 a ton for 15 per cent beets?

Mr. NEWBERRY. Yes, sir; approximately.

The CHAIRMAN. That is all. Now, who is the next witness?

Senator JONES. I would like to ask Mr. Bishop just a question or two, or I would like to give Mr. Bishop a statement of something that I would like to ask him about.

TESTIMONY OF CLYDE BISHOP—Resumed.

Senator JONES. Mr. Bishop, can you get for the committee a statement of the prices which have been paid for beets during the series of years last passed, say, six or eight years, so as to get well back of the war influence?

Mr. BISHOP. I could not furnish them to you in Washington.

Senator JONES. Very well.

Mr. BISHOP. I did, at your request, however, go through my grip to see what I had, and I find that I do have the grower's duplicate copy of the contract for 1916–17, which was operative and under which he grew his crop of beets. I do also have the contract originally put out by the Holly Co., which now has bought that company and controls them both for this present year. This contract starts out, as that one started out, with a price of $4.50 for 15 per cent beets. Then subsequently they added this indorsement in red:

> In harmony with the patriotic appeal of the United States Food Administration for an increased production of sugar, and believing that the average net price received for sugar will at least approximate 7 cents per pound, the factory hereby guarantees that the price to be paid for beets grown under this contract will be based on a net price of not less than 7 cents per pound for sugar. The usual monthly payments will be made on this basis.
>
> HOLLY SUGAR CORPORATION.

The CHAIRMAN. What is the date of that indorsement?

Mr. BISHOP. The indorsement is not dated. That is the 1918 contract, by the Holly Sugar Co., which has absorbed this sugar company.

The CHAIRMAN. Which sugar company?

Mr. BISHOP. The Southern California Sugar Co., they both being located in my county. On the back of that you will find a table by which they show the increased per cent of sugar and the increased pay therefor.

The CHAIRMAN. Now, so that we will get it in the record right, the blue paper which you have handed me here and which the reporter has marked as Exhibit No. 110, is an original contract with the Southern California Sugar Co., dated the 13th day of November, 1917?

Mr. BISHOP. Signed by H. B. Calvin; yes, sir. That is the contract.

The CHAIRMAN. You say that since that time the Southern California Sugar Co. has been absorbed by the Holly Sugar Co.?

Mr. BISHOP. Yes, sir.

The CHAIRMAN. And the paper which you have handed me, which is marked Exhibit No. 111, is the contract which is now being offered by that company to the beet growers for the crop that is to be planted within the next few weeks?

(The papers referred to are here printed in full in the record, as follows:)

EXHIBIT No. 110.

SOUTHERN CALIFORNIA SUGAR CO. CONTRACT FOR SUGAR BEETS, 1916–1917.

This agreement, entered into this 23 day of December, 1916, between Southern California Sugar Company, a corporation, party of the first part, herein-

after called The Factory, and F. D. Plavan, of Santa Ana, county of Orange and State of California, party of the second part, hereinafter called the grower:

Witnesseth, that for and in consideration of the covenants hereinafter contained, it is mutually agreed as follows: That the grower shall and will, in a farmerlike manner and in conformity with the directions of the factory, during the cropping season beginning November 1st, 1916, and ending when the crop is harvested, not later than the close of the factory season, 1917, plant, cultivate, harvest, and deliver to said factory, at its sheds near New Delhi, Orange County, California, 20 acres of sugar beets grown from the seed furnished by the factory in quantities designated by it, the land upon which said beets are to be grown being described as follows: N. ½ of SE. ¼ of NE. ¼, sec. 29, and it is agreed that all sugar beets grown on the above-described land shall be included under this contract; crop rental to be paid direct to ———, whose address is ———.

The seed to be used in growing said beets shall be furnished by the factory for the price of twelve (12) cents per pound, which the grower agrees to pay, and which shall be deducted from the price of beets first delivered by the grower. Seed furnished by the factory shall not be planted upon any land not contracted to the factory. Any seed furnished by the factory and not planted shall be returned in good order to the factory and the grower credited therefor.

In harvesting the beets they are to be properly trimmed (that is, cut squarely off) below the base of the bottom leaf, and delivered free from stones, trash, or other foreign substances, and subject to proper deduction for tare. After removal from the ground the grower shall protect the beets from the sun.

All sound beets shall be bought and paid for by the factory at the following rates:

Beets testing fifteen (15) per cent sugar, four dollars and fifty cents per ton, with an addition of thirty (30) cents per ton for each one (1) per cent of sugar above fifteen (15) per cent, and a deduction of twenty-five (25) cents per ton for each one (1) per cent below fifteen (15) per cent, down to and including eleven (11) per cent; fractions in proportion.

Beets testing under eleven (11) per cent will be accepted as if testing eleven (11) per cent if weighing less than five (5) pounds. The factory reserves the right to reject beets testing under eleven (11) per cent and weighing over five pounds.

Payments will be made on the fifteenth (15) of each month for beets delivered during the previous month, and all moneys due the factory from the grower may be deducted from any payment.

The factory will pay all freight charges on beets loaded in cars at a point where the factory operates a beet dump.

In case beets grown under this contract are loaded into cars at a point where the factory does not operate a beet dump, the factory will pay the railroad freight charges for delivering to it such beets, provided cars are loaded to capacity. Any extra charges because of cars not being so loaded shall be charged to the grower. For beets so delivered the factory will pay the grower, in addition to the prices named herein, fifteen (15) cents per net ton to cover cost of loading.

The factory hereby agrees that if, during the period between July 1st, 1917, and July 1st, 1918, the average net selling price f. o. b. factory of refined sugar received by the beet-sugar factories of southern California shall equal or exceed four and a half cents per pound, then the company will pay as a bonus to the grower for each ton of beets delivered under this contract the sum of fifty cents. Payment of said bonus, if any, shall be made on the first day of August, 1918.

The grower may, at his own expense, have representatives (weighman, tareman, and chemist) in scale house, tare room, and laboratory to check weights and work done, such representatives to be experienced in the line of work to be performed and satisfactory to the factory.

In the event of said factory being incapacitated by fire or otherwise at any time previous to the delivery of the entire crop covered by this contract, the factory shall have the option either to take said crop at the rates and on the terms aforesaid or to pay the grower at the rate of fifteen dollars ($15.00) per acre for any and all undelivered beets then under cultivation or grown by said grower hereunder, allowing said grower to keep such undelivered beets. In case such incapacitation of said factory should occur before the land is planted in beet seed hereunder, then the operation of this agreement shall be forthwith suspended and its terms and conditions shall have no force or effect

unless and until written notice shall be given by the factory to the grower that this agreement shall be reinstated, after which notice this agreement shall again be in full force and effect.

The grower agrees not to assign this contract without written consent of the factory.

No agent of the factory is authorized to make erasures, additions, or alterations of the printed terms of this contract.

This agreement shall be in duplicate, each of which shall be signed by both parties above named.

SOUTHERN CALIFORNIA SUGAR COMPANY,
By A. L. PICKERING.
F. D. PLAVAN, *Grower.*

Schedule of prices paid for beets under this contract.

25 per cent	$7.50 per ton.	17 per cent	5.10 per ton.
24 per cent	7.20 per ton.	16 per cent	4.80 per ton.
23 per cent	6.90 per ton.	15 per cent	4.50 per ton.
22 per cent	6.60 per ton.	14 per cent	4.25 per ton.
21 per cent	6.30 per ton.	13 per cent	4.00 per ton.
20 per cent	6.00 per ton.	12 per cent	3.75 per ton.
19 per cent	5.70 per ton.	11 per cent and under	3.50 per ton.
18 per cent	5.40 per ton.		

Fractions of 1 per cent in proportion.

EXHIBIT No. 111.

HOLLY SUGAR CORPORATION CONTRACT FOR SUGAR BEETS, 1917--1918.

This agreement, entered into this —— day of ———, 191—, between Holly Sugar Corporation, a corporation, party of the first part, hereinafter called the factory, and ———, of ———, county of ———, and State of California, party of the second part, hereinafter called the grower:

Witnesseth, that for and in consideration of the covenants hereinafter contained, it is mutually agreed as follows: That the grower shall and will, in a farmerlike manner and in conformity with the directions of the factory, during the cropping season beginning November 1st, 1917, and ending when the crop is harvested, not later than the close of the factory season, 1918, plant, cultivate, harvest, and deliver to said factory, at its sheds near Huntington Beach, Orange County, California, ——— acres of sugar beets grown from the seed furnished by the factory in quantities designated by it, the land upon which said beets are to be grown being described as follows: ———, and it is agreed that all sugar beets grown on the above-described land shall be included under this contract; crop rental to be paid direct to ———, whose address is ———.

The seed to be used in growing said beets shall be furnished by the factory for the price of twelve (12) cents per pound, which the grower agrees to pay, and which shall be deducted from the price of beets first delivered by the grower. Seed furnished by the factory shall not be planted upon any land not contracted to the factory. Any seed furnished by the factory and not planted shall be returned in good order to the factory and the grower credited therefor.

In harvesting the beets they are to be properly trimmed (that is, cut squarely off) below the base of the bottom leaf and delivered free from stones, trash, or other foreign substances, and subject to proper deduction for tare. After removal from the ground the grower shall protect the beets from the sun.

All sound beets shall be bought and paid for by the factory at the following rates:

The price will be based on the average net price f. o. b. factory received for sugar sold by the beet-sugar companies of southern California (after deductiong any tax on sugar not now but hereafter imposed by law) during the period of 12 months beginning July 1, 1918, as follows:

If the net price received for sugar during the period above mentioned is 4½¢ per pound or under, the factory will pay $4.50 per ton for beets testing fifteen (15) per cent sugar. If the average net price received for sugar exceeds 4½¢ per pound, an additional payment of $1.00 per ton of beets will be made for

each one cent in excess of 4½¢ net per pound received for sugar, fractions in proportion.

To the above price per ton of beets will be added for each additional one (1) per cent of sugar over fifteen (15) per cent and deducted for each one (1) per cent of sugar below fifteen (15) per cent, fractions in proportion, an amount equivalent to one-fifteenth ($\frac{1}{15}$) of the price paid for one ton of beets testing fifteen (15) per cent sugar. Beets testing under eleven (11) per cent will be accepted as if testing eleven (11) per cent if weighing less than five pounds. The factory reserves the right to reject beets testing under eleven (11) per cent and weighing over five pounds.

(On the back of this contract is a quick reference table giving beet prices based upon net prices of sugar and given beet tests.)

Beet payments will be made on the 15th of each month for deliveries of the previous month and will be based on $4.50 per ton of fifteen (15) per cent beets, adding to or deducting from that price as the tests are above or below fifteen (15) per cent, in the regular manner. Further payments to be made from time to time as the net selling price of sugar can be determined.

Final payment to be made not later than 30 days after the close of the selling period referred to. All money due the factory from the grower may be deducted from any payment.

The factory will pay all freight charges on beets loaded in cars at a point where the factory operates a beet dump.

In case beets grown under this contract are loaded into cars at a point where the factory does not operate a beet dump, the factory will pay the railroad freight charges for delivering to it such beets, provided cars are loaded to capacity. Any extra charges because of cars not being so loaded shall be charged to the grower. For beets so delivered, the factory will pay the grower, in addition to the prices named herein, fifteen (15) cents per net ton to cover cost of loading.

The grower may, at his own expense, have represntatives (weighman, tareman, and chemist) in scale house, tare room, and laboratory to check weights and work done, such representatives to be experienced in the line of work to be performed and satisfactory to the factory.

In the event of said factory being incapacitated by fire or otherwise at any time previous to the delivery of the entire crop covered by this contract, the factory shall have the option either to take said crop at the rates and on the terms aforesaid, or to pay the grower at the rate of fifteen dollars ($15.00) per acre for any and all undelivered beets then under cultivation, or grown by said grower hereunder, allowing said grower to keep such undelivered beets. In case such incapacitation of said factory should occur before the land is planted in beet seed hereunder, then the operation of this agreement shall be forthwith suspended and its terms and conditions shall have no force or effect unless and until written notice shall be given by the factory to the grower that this agreement shall be reinstated, after which notice this agreemen shall again be in full force and effect.

The grower agrees not to assign this contract without written consent of the factory.

No agent of the factory is authorized to make erasures, additions, or alterations of the printed terms of this contract.

This agreement shall be in duplicate, each of which shall be signed by both parties above named.

HOLLY SUGAR CORPORATION,
By _____*Grower.*

In harmony with the patriotic appeal of the U. S. Food Administration for an increased production of sugar, and believing that the average net price received for sugar will at least approximate 7c. per pound, the factory hereby guarantees that the price to be paid for beets grown under this contract will be based on a net price of not less than 7c. per pound for sugar. The usual monthly payments will be made on this basis.

HOLLY SUGAR CORPORATION,
Per _____

Quick reference table—Fractions of sugar prices and beet tests in proportion.

Price of sugar.	Percentage of sugar in beets.									
	11	12	13	14	15	16	17	18	19	20
4½ cents or under	$3.30	$3.60	$3.90	$4.20	$4.50	$4.80	$5.10	$5.40	$5.70	$6.00
5 cents	3.67	4.00	4.33	4.67	5.00	5.33	5.67	6.00	6.33	6.67
5½ cents	4.03	4.40	4.77	5.13	5.50	5.87	6.23	6.60	6.97	7.33
6 cents	4.40	4.80	5.20	5.60	6.00	6.40	6.80	7.20	7.60	8.00
6½ cents	4.77	5.20	6.63	6.07	6.50	6.93	7.37	7.80	8.23	8.67
7 cents	5.13	5.60	6.07	6.53	7.00	7.47	7.93	8.40	8.87	9.33
7½ cents	5.50	6.00	6.50	7.00	7.50	8.00	8.50	9.00	9.50	10.00
8 feet	5.87	6.40	6.93	7.47	8.00	8.53	9.07	9.60	10.13	10.60
8½ cents	6.23	6.80	7.37	7.93	8.50	9.07	9.63	10.20	10.77	11.37
9 cents	6.60	7.20	7.80	8.40	9.00	9.60	10.20	10.80	11.40	12.03

Price of sugar.	Percentage of sugar in beets.									
	21	22	23	24	25	26	27	28	29	30
4½ cents or under	$6.30	$6.60	$6.90	$7.20	$7.50	$7.80	$8.10	$8.40	$8.70	$9.00
5 cents	7.00	7.33	7.67	8.00	8.33	8.67	9.00	9.33	9.67	10.00
5½ cents	7.70	8.07	8.43	8.80	9.17	9.53	9.90	10.27	10.63	11.00
6 cents	8.40	8.80	9.20	9.60	10.00	10.40	10.80	11.20	11.60	12.00
6½ cents	9.10	9.53	9.97	10.40	10.83	11.27	11.70	12.13	12.57	13.00
7 cents	9.80	10.27	10.73	11.20	11.67	12.13	12.60	13.07	13.53	14.00
7½ cents	10.50	11.00	11.50	12.00	12.50	13.00	13.50	14.00	14.50	15.00
8 cents	11.20	11.73	12.27	12.80	13.33	13.87	14.40	14.93	15.47	16.00
8½ cents	11.90	12.47	13.03	13.60	14.17	14.73	15.30	15.87	16.43	17.00
9 cents	12.60	13.20	13.80	14.40	15.00	15.60	16.20	16.80	17.40	18.00

Senator JONES. I do not know whether you stated, or Mr. Woolwine stated, that Mr. Hoover has said that he was going to appoint an impartial committee, composed of local people in the various sections of the beet-sugar country, to inquire into the cost of raising sugar beets and the manufacture of beet sugar, etc.

Mr. BISHOP. Yes, sir.

Mr. WOOLWINE. I believe that was my testimony, Senator.

Senator JONES. Was it? Very well. You understand that that is the case?

Mr. BISHOP. Mr. Lamb, stating that Mr. Hoover had turned the matter to him, stated that he would do so; yes, sir.

Senator JONES. Now, I should like to ask you if you know of anything else that Mr. Hoover could do at the present time under the law——

Mr. BISHOP. No; I do not.

Senator JONES (continuing). Which would aid the beet growers?

Mr. BISHOP. As I stated this morning, I did not believe that Mr. Hoover had the power to fix the price of green beets; and if he has not the power, and the power does not reside somewhere else, the only way to do it is by contract. We believe that by this commission impartially determining what beets ought to be worth, based upon facts developed to him by men who grow beets and know what the cost is, the factories out there will come to it and pay it.

Senator JONES. Then you think that this thing that has been determined upon is the right thing to be done at this time?

Mr. BISHOP. I do, sir.

The CHAIRMAN. Speaking about the matter of remedy for the beet grower, I think you and I will both concede that probably there is

no power vested in the Food Board or in any other board, or in the Federal Government, to fix a price on a farmer's product of beets.

Mr. BISHOP. Yes; I agree with you. That is true.

The CHAIRMAN. And that, as things stand now, all that can be done, and done legally and without coercion, is to try and get the beet-sugar men to agree to a reasonable price.

Mr. BISHOP. Yes, sir.

The CHAIRMAN. I mean, the manufacturers. Now, suppose that we turn back the clock to a time when the beet-sugar men and the cane-sugar men were all in competition, each with the other, and at a time when a contract was being made between the Food Administration and all the beet-sugar factories, by which a stabilized price of 7.25 was to go into effect. If at the time that price was being fixed the rights of the beet-sugar raisers had been considered, if their necessities had been considered, do you not think there would have been a pretty good chance at that time to have gotten some relief?

Mr. BISHOP. Well, yes; I think the chance to have gotten relief was at any time that you would bring the knowledge of your necessities to somebody who could give you the relief.

The CHAIRMAN. Yes; but I am talking about when they were giving these beet-sugar men a contract by which they were to charge 7.25 for all the sugar they were to put out during the year. At the time the Food Administration had been arranging that, guaranteeing them that price in that way, would not that have been a pretty good time to have taken care of the men who were going to raise the beets out of which this 7.25 sugar was to be made?

Mr. BISHOP. Senator, I certainly could not assume that Mr. Hoover would not have done that had we brought it to his attention.

The CHAIRMAN. Exactly. I am not saying that Mr. Hoover would or would not have done it if it had been brought to his attention. Senator Jones has asked you whether this thing that is now being attempted is all that can be done now. I am inquiring, if the interests of the beet raisers had been taken into consideration at the time that the beet-sugar contracts were being made among the manufacturers, whether there would not have been a better chance to have gotten some relief for the beet raisers?

Mr. BISHOP. That is possibly true—probably; yes, sir.

The CHAIRMAN. Undoubtedly. That is all.

TESTIMONY OF R. E. WHITLEY.

(The witness was sworn by the chairman.)

The CHAIRMAN. What is your full name?

Mr. WHITLEY. R. E. Whitley.

The CHAIRMAN. Where do you live?

Mr. WHITLEY. Van Nuys, Cal.

The CHAIRMAN. Do you know anything about this California matter that has not been testified to?

Mr. WHITLEY. I do.

The CHAIRMAN. Whom do you represent?

Mr. WHITLEY. I represent particularly the beet growers of the San Fernando Valley.

The CHAIRMAN. How many acres?

Mr. WHITLEY. Last year there were 15,000 acres.

The CHAIRMAN. Do you desire to differ from any of these statements in regard to beet conditions that have been made here? Is that testimony, as far as it touches the matter, in accordance with your own?

Mr. WHITLEY. In a general way I might state this, if you will permit me——

The CHAIRMAN. Certainly.

Mr. WHITLEY. Just previous to my coming here a committee of representative beet growers was called, and on short notice a resolution was adopted which they wanted presented wherever it would do the most good, and I presume this would be the place. Just before leaving, in order to verify the exact condition in a district where 15,000 acres were grown last year, I learned from one of the managers of the sugar company operating in that district that there were only 3,200 acres of beets signed up at that time, and I know as a matter of fact that a very large proportion of that is controlled by leases in the name of the company.

Senator VARDAMAN. When do they plant the beets there?

Mr. WHITLEY. They start in planting now. They are preparing the land now. I have my own land prepared at the present time, and it can be planted to beets in February or March if necessary or before that, or it can be planted to other crops. The farmers are going to divert their land to other crops provided a practical settlement can not be reached of the problem.

Senator KENYON. The beets are all produced under contract, are they?

Mr. WHITLEY. Yes; they are all produced under contract.

The CHAIRMAN. When was it that you had this talk with this representative of the beet factories who told you there was only 3,200 acres signed?

Mr. WHITLEY. The day before I left.

The CHAIRMAN. That was a week ago?

Mr. WHITLEY. About the 5th or 6th of December. No; that meeting was on the 7th. This was on the 8th.

The CHAIRMAN. What ought to be signed up if there was going to be a good acreage put in? Ought it to be practically all signed by this time?

Mr. WHITLEY. It practically all ought to be signed—a very large portion of it, at any rate.

The CHAIRMAN. In this territory in which you were told there was 3,200 acres signed, what is the full acreage that ought to be signed?

Mr. WHITLEY. Fifteen thousand acres last year; the year previous, 17,000.

The CHAIRMAN. So that there is a pretty critical and dangerous situation there?

Mr. WHITLEY. If the country needs sugar there certainly is.

The CHAIRMAN. Are you a beet producer as well as an observer of conditions?

Mr. WHITLEY. Absolutely.

The CHAIRMAN. Can you tell us now what the present cost of raising beets is?

Mr. WHITLEY. Yes; I can tell you what the growers voted on, item by item, after considerable deliberation, as the actual costs, and they have set this forth in this document and signed their names to it and are willing to absolutely prove it.

The CHAIRMAN. Do you state now under oath that you believe the estimates are correct?

Mr. WHITLEY. I do, as near as estimates can be.

The CHAIRMAN. Very well.

Mr. WHITLEY. I have also the actual figures of what it cost to produce beets on my particular ranch last year.

The CHAIRMAN. Very well.

Mr. WHITLEY. Will you pardon me if I read one clause in this?

The CHAIRMAN. Yes.

Mr. WHITLEY. It starts out with the idea of stimulated production being necessary, due to the patriotic appeal, etc.

The CHAIRMAN. We have only got about an hour to run here, so I will ask you to go as rapidly as possible.

Mr. WHITLEY. And it says:

Whereas the experience of the growers in this section and elsewhere during the past few years has shown that it is impossible to produce sugar beets under existing conditions and at the prices which have prevailed except at losses which are ruinous to the growers.

The one reason that the growers have a representative here is because they want that fact set forth publicly. They are willing to grow beets and reply to any practical patriotic appeal, provided they do not find out that the other man is making all the money and they are taking the losses. Last year there were $300,000 of accounts which the growers were unable to pay to the people who advanced the money, which is the sugar company, after harvest. In other words, the growers went behind $300,000 and more because they got money from their sisters, their aunts, their uncles, and other sources in that particular district.

The CHAIRMAN. When you say the growers fell behind $300,000, you mean this group of growers that you are speaking for?

Mr. WHITLEY. This one group.

The CHAIRMAN. How many raisers are there in that group, approximately?

Mr. WHITLEY. I could not say exactly. If I should approximate it at 100, it would come somewhere near it. It would average about 150 acres to the grower.

The CHAIRMAN. So, that you think, then, that each fellow came out about $3,000 worse than nothing?

Mr. WHITLEY. Yes; something like that. I do not know of two men that raised beets that made any clear money.

Senator JONES. Do you know anything about the profits of the manufacturers, the people who manufactured those beets?

Mr. WHITLEY. Without going into a maze of details, one outstanding fact in our district is this: The sugar company operating at Oxnard, to which we take our beets, last year built a four-story factory; they advertised at the beginning of the season that they were going to spend $500,000 in betterments, and had employment for from 750 to 1,000 men for a considerable period of time; and it is estimated that they spent from $750,000 to $1,000,000 in raising their plant from approximately a 2,000-ton daily capacity to a 3,000-ton

daily capacity; and so far as we have been able to find out they have not produced and do not show any indication of producing any evidence that that was done by additional sales of stock or additional placement of bonds, and they do not deny that that was taken out of the profits on the manufacture of beets, and is shown as part of the cost of manufacturing beets.

The CHAIRMAN. What is the name of that company?

Mr. WHITLEY. That is the American Beet Sugar Co., the Oxnard plant. They have, I think, six plants in the company.

Senator KENYON. Did they declare any dividends last year?

Mr. WHITLEY. Last year they declared a dividend on their preferred stock, put in these betterments, and I believe declared a dividend on their common stock.

The CHAIRMAN. You do not know whether that common stock is stock that was paid for or whether it is what we commonly call watered stock?

Mr. WHITLEY. We have been unable to obtain any figures. I have been trying while here to get access to certain congressional and Senate investigations setting forth those figures. It is very difficult for us to get those figures. If more publicity be given to them it would be a great help in relieving the situation with us.

The CHAIRMAN. Is there something else you want to tell us?

Mr. WHITLEY. That is practically all. If you care to make this a part of your record, I will leave it.

The CHAIRMAN. Yes; let it go in.

(The resolutions referred to were marked "Exhibit No. 112." here printed in the record, as follows:)

EXHIBIT No. 112.

RESOLUTIONS ADOPTED AT A MEETING OF BEET GROWERS OF THE SAN FERNANDO VALLEY, HELD AT VAN NUYS, CAL., ON TUESDAY EVENING, DECEMBER 11, 1917.

Whereas it appears that unless an increased production of sugar beets be stimulated and larger acreages be planted to sugar beets during the coming season than are at present contemplated, the Nation will face a sugar shortage; and

Whereas in the face of this crisis an appeal has been made to the patriotism of the sugar-beet growers throughout the Nation to do their "bit" in the production of this much needed commodity; and

Whereas the growers of this section stand ready to do their patriotic duty in so far as they are financially able to do so and in so far as conditions will warrant; and

Whereas the experience of the growers in this section and elsewhere during the past few years has shown that it is impossible to produce sugar beets under existing conditions and at the prices which have prevailed, except at losses which are ruinous to the growers; and

Whereas the experience of the growers in this section has shown that the following is a conservative estimate of the cost of production, to wit:

Plowing	$4.50
Surface work, including harrowing, leveling, chiseling, etc., covering all costs from plowing to planting, excluding replanting if any	4.00
Planting	.60
Replanting, including all cultivating, etc	3.00
Rolling	1.00
Furrowing out	1.20
Irrigation water	7.08
Labor for irrigating	4.50
Seed (seed for replanting furnished by company)	2.40
Thinning and hoeing and keeping clean to harvest	9.00
Plowing out	4.00

Topping and loading	$9.00
Hauling	6.75
Total working cost per acre	57.03
Interest on working capital at 8 per cent	1.25
Overhead, superintendent, idle team, dead stock, etc	10.00
6 per cent interest on agricultural value of land at $400 per acre	24.00
Taxes	9.00
Fertilizer	10.00
Total working cost per acre	111.38
Nominal profit	10.00
	121.38

And whereas the experience of the growers in this section has further shown the following average yields per acre during the past three years, to wit:

	Tons per acre.
1915	10.50
1916	9.15
1917	6.17

And whereas in the light of this experience, and by reason of the constantly decreasing average yield per acre, due to the depletion of the producing qualities of the soil, the average yield in this section for the coming season of 1918 can not be reasonably expected to be in excess of 9½ tons per acre; and the average sugar test is expected to be about 18 per cent;

Now, therefore, be it resolved, That the sugar-beet growers in this section, present or represented at this meeting, stand ready to cooperate with the United States Government in this crisis, and to do their patriotic duty in the production of sugar beets during the coming season of 1918, provided only that they be assured a sufficient price per ton for the sugar beets to be grown and produced by them during said season to defray the cost of production as shown by the schedules, facts, and figures incorporated herein, and to return to them a nominal profit of 10 per centum on the said cost of production; with the understanding, however, that in the event sugar drops below the present price of $7.25 per hundredweight there may be deducted from the said price per ton to be received by the growers a flat sum equivalent to 50 per cent of such drop in price, and in the event sugar rises above the present price, then there shall be added to the said price per ton to be received by the growers a flat sum equivalent to 50 per cent of such increase in price, the purpose of this proviso being to afford protection on an equitable basis between the grower and the manufacturer in the event of a rise or decline in the present price of sugar.

Be it also resolved, That in order to insure careful tests and tares, and accurate weights, the growers demand the right to employ, at their own expense, and to place in each factory a chemist, tareman, and weigher, who may be removed or discharged and others employed in their place, at the will of the growers.

Be it further resolved, That a committee of five be chosen at this meeting to represent the growers of this section in all negotiations or conferences that may take place between the growers and the manufacturers, or representatives of the United States Government, and to appoint a delegate or delegates to accompany any delegation of growers to Washington or elsewhere if deemed advisable or expedient, and to raise the funds necessary to defray all expenses incurred in connection therewith.

And be it also further resolved, That the growers of this section hereby express their approval and appreciation of the efforts put forth in their behalf by the district attorney of this county, Mr. Thomas Lee Woolwine, and that we hereby pledge to him our full cooperation and support.

We, the undersigned, concur in and approve the foregoing resolutions:[1]

A. W. Cravers, 100; D. L. Warden, 165; F. P. Ghiglia, 320; H. M. Lord, 200; C. B. Barkler, 40; A. A. Fallerp, 17; A. C. Mentry, 213; M. H. Petz, 120; A. Schelling, 170; E. R. Harris, 160; G. M. Garner, 75; Ed. C. Hall & Son, 335; W. J. Petit, 320; J. G. Showalter, 85; G. W. Dickey, 85; L. W. Richardson, 480; L. C. Ables, 105; J. T. Hadley, 65; R. A. Mentry, 213; E. Lodge, 63; R. F. Smith, 300; G. W. Bohrandy, 450; Alex Jeffrey, 985.

[1] Figures following names show number of acres produced in 1917.

I, the undersigned, hereby certify that the annexed resolution is a true and correct copy of a resolution adopted at a meeting of the beet growers of the San Fernando Valley, held at Van Nuys, Cal., on Tuesday evening, December 11, 1917; that pursuant to said resolution the following persons were elected a committee of five at said meeting for the purpose named in said resolution, to wit, R. E. Whitley, L. E. Bliss, Alex Jeffrey, W. J. Petit, and Armon Schelling.

That upon the adjournment of said meeting the said persons constituting the said committee met and appointed Mr. R. E. Whitley as a delegate to accompany Mr. Thomas Lee Woolwine to Washington and to represent the growers of this section in any conferences or negotiations that might take place there.

W. W. McCONAUGHY,
Secretary of the Meeting.

WASHINGTON, D. C., *December 24, 1917.*

Upon request of Senator Reed, chairman of senatorial Committee on Manufacturing, Dr. R. E. Jones, of Fort Morgan, Colo., submits itemized statement as to cost of growing and delivering 1 acre of sugar beets for seasons of 1914, 1915, 1916, 1917, and adds 5 per cent on 1917 report as estimated expense for 1918 crop:

Season 1914.

	Per acre.
Fertilizing	$7.50
Plowing	3.00
Harrowing and leveling	2.00
Seed	1.75
Planting	.50
Thinning and first and second hoeing	10.00
Cultivating	2.50
Furrowing out and irrigating	2.50
Plowing out	3.00
Hand labor, topping, etc	10.00
Hauling 12 tons, at 80 cents	9.60
Superintendence	2.50
Land rental	12.50
Tools and implements	1.00
Building and fences	.55
Lateral ditches	.50
Miscellaneous	1.00
Total	70.40

The following statement was submitted by Dr. Jones after leaving the witness stand.

WASHINGTON, D. C., *December 24, 1917.*

Upon request of Senator Reed (chairman Senate Committee on Manufactures), Dr. R. E. Jones, of Fort Morgan, Colo., submits itemized statement as to cost of growing and delivering 1 acre of sugar beets for seasons of 1914, 1915, 1916, 1917, and adds 5 per cent on 1917 report as estimated expense for 1918 crop:

Season 1915.

	Per acre.
Fertilizing	$7.50
Plowing	3.00
Harrowing and leveling	2.00
Seed	1.75
Planting	.50
Thinning and first and second hoeing	10.00
Cultivating	2.50
Furrowing out and irrigating	2.50
Plowing out	3.00
Hand labor, topping, etc	10.00
Hauling 12 tons, at 80 cents	9.00
Superintendence	2.50
Land rental	12.50

Tools and implements	$1.00
Building and fences	.55
Lateral ditches	.50
Miscellaneous	1.00
Total	70.40

WASHINGTON, D. C., *December 24, 1917.*

Upon request of Senator Reed (chairman Senate Committee on Manufactures), Dr. R. E. Jones, of Fort Morgan, Colo., submits itemized statement as to cost of growing and delivering 1 acre of sugar beets for season of 1914, 1915, 1916, 1917, and adds 5 per cent on 1917 report as estimated expense for 1918 crop:

Season 1916.

	Per acre.
Fertilizing	$7.50
Plowing	3.00
Harrowing and leveling	2.00
Seed	1.75
Planting	.50
Thinning and first and second hoeing	10.00
Cultivating	2.50
Furrowing out and irrigating	2.50
Plowing out	3.00
Hand labor, topping, etc	10.00
Hauling 12 tons, at 80 cents	9.00
Superintendence	2.50
Land rental	12.50
Tools and implements	1.00
Building and fences	.55
Lateral ditches	.50
Miscellaneous	1.00
Total	70.40

WASHINGTON, D. C., *December 24, 1917.*

Upon request of Senator Reed (chairman of senatorial Committee on Manufactures), Dr. R. E. Jones, of Fort Morgan, Colo., submits itemized statement as to cost of growing and delivering 1 acre of sugar beets for seasons of 1914, 1915, 1916, 1917, and adds 5 per cent on 1917 report as estimated expense for 1918 crop.

Season 1917.

	Per acre.	
Fertilizing	$7.50	$10.00
Plowing	3.00	4.00
Harrowing and leveling	2.00	2.50
Seed	1.75	1.75
Planting	.50	.75
Thinning and first and second hoeing	10.00	12.50
Cultivating	2.50	3.00
Furrowing out and irrigating	2.50	3.00
Plowing out	3.00	3.50
Hand labor, topping, etc	10.00	12.50
Hauling 12 tons at 80 cents	9.60	12.00
Superintendence	2.50	3.00
Land rental	12.50	20.00
Tools and implements	1.00	2.50
Building and fences	.55	1.00
Lateral ditches	.50	.75
Miscellaneous	1.00	1.50
Total	70.40	93.75

Estimated cost of 1918 crop, $98.437 per acre.

According to our best judgment and belief the above report submitted is correct.

JOHN A. HICKS,
President Mountain States Sugar-Beet Growers' Association.
J. M. COLLINS,
President State Farmers' Union of Colorado.

DISTRICT OF COLUMBIA:

Subscribed and sworn to before me this 24th day of December, 1917.

[SEAL.] GEORGE B. ASHBY,
Notary Public.

My commission expires October 22, 1922.

The president of the Great Western Sugar Co. (Mr. Petrikin) gave the following sworn statement of the cost of growing sugar beets by their company on their farm immediately adjoining their sugar factory; the statement to be found on page 2724 Hardwick Hearings, as follows:

"For the year 1906 for 213 acres, cost per acre being $70.86."

Respectfully submitted.

R. E. JONES, M. D.

DECEMBER 26, 1917.

TESTIMONY OF R. E. JONES.

(The witness was sworn by the chairman.)

The CHAIRMAN. What is your name?

Mr. JONES. R. E. Jones.

The CHAIRMAN. Where do you live?

Mr. JONES. Fort Morgan, Colo.

The CHAIRMAN. What is your occupation or business?

Mr. JONES. I am a physician, sir.

The CHAIRMAN. Are you in any way interested in the beet-sugar business?

Mr. JONES. Yes, sir.

The CHAIRMAN. As a producer of beets or as a manufacturer?

Mr. JONES. As a producer.

The CHAIRMAN. Where is your location?

Mr. JONES. I live at Fort Morgan, Colo., Morgan County. I first raised beets in that county. I am now raising beets in Weld County.

The CHAIRMAN. Do you use irrigated land or other land?

Mr. JONES. Irrigated land entirely.

The CHAIRMAN. Before I forget it, I understood that you had a letter here from Mr. Hoover or from his office.

Mr. JONES. Yes, sir.

The CHAIRMAN. In regard to beet prices.

Mr. JONES. Yes, sir.

The CHAIRMAN. Will you kindly let me see that correspondence?

(The correspondence was handed to the chairman.)

The CHAIRMAN. I suppose this letter of November 8 was written in reply to a letter which you had written?

Mr. JONES. Yes, sir.

The CHAIRMAN. I will thank you if you will tell us very briefly the extent of your interest in beets, either directly or as a representative of others.

Mr. JONES. My interest primarily is that of a grower, naturally. Then my interest extends to the benefit of the immediate community and the State at large. In 1905 I first grew beets. I contracted 250 acres. Subsequently I formed a little company, each sharing 25 per

cent alike. That year we received $4.50 a ton. I got insight enough into the business to find that did not pay and sold out my interest. I did not raise again until 1915. There had been various advances made. I had acquired other land in a different community. The tenants desired to plant beets, and for that reason I allowed them to plant some beets to rotate the crop. For the security of beets it has one attractive feature out in our part of the country. It is a stable crop. We have a little hail out there occasionally, and beets are quite rugged after they start. Where wheat and oats would soon be destroyed, beets can be damaged a little and then will come on again, mature, and make a crop.

The CHAIRMAN. In a general way, you represent yourself as a producer; and do you speak for other producers in Colorado?

Mr. JONES. Yes, sir. In Morgan County last year we had 23,000 acres of beets. This year we have approximately about 20,000 acres. Then, on a larger scale, we have what is known as the Intermountain Beet Growers' Association, that takes in Wyoming, Colorado, and Nebraska; so that there is a committee of us down here comprising some six men that represent this association. I will remark, incidentally, that out of a total acreage of 407,300 acres in the United States for the year 1914 that acreage is all represented here in this room at the present time except 87,900 acres. This is the Federal Trade Commission's report issued May 24, 1917, but this just notes the acreage during the year 1914.

Senator VARDAMAN. How are your beets cultivated—by day labor or on shares or by renters, or how is it—by small farmers or large farmers?

Mr. JONES. We have day labor there. When we contract our beets we have to pay the day labor so much. For instance, on the 1917 crop we paid the day laborers $22 an acre to look after the beets. On the 1918 crop the approximate cost will be right around $28 to $30 an acre.

Senator VARDAMAN. What kind of labor—white men, Chinamen, Mexicans, or what?

Mr. JONES. We have the German-Russians, largely, and probably in Morgan County from 15 to 20 per cent of our labor now is Mexican labor.

Senator VARDAMAN. Is the land planted in beets owned in large bodies by companies or individuals?

Mr. JONES. No; it is not; it is individually owned. The Great Western Sugar Co. owns two or three quarters of land, but they usually put them in their seed beets. Seed beets go to seed biennially; and they plant their farms largely to seed beets, and use them as stock farms also.

Senator VARDAMAN. Do you rent any land that is cultivated in beets?

Mr. JONES. I rent my lands.

Senator VARDAMAN. What rent do you get?

Mr. JONES. One fourth—one-fourth and your share of the tops for stock feed.

Senator VARDAMAN. Is any land rented for a money rent—so much per acre?

Mr. JONES. I do not know of any in Morgan County. There may be some, but I do not know of any.

Senator VARDAMAN. Have you ever figured out what it costs you to raise beets per ton?

Mr. JONES. Per ton? No. We usually figure on the basis of per acre, Senator.

The CHAIRMAN. Have you figured what it costs you to raise beets per ton?

Senator VARDAMAN. He says he has not; he says he has per acre.

Mr. JONES. Per acre, Senator.

The CHAIRMAN. Well, all right. You have figured what it costs per acre, and you also know the average tonnage, do you not?

Mr. JONES. Yes, sir.

The CHAIRMAN. It would not be very hard for you to divide it?

Mr. JONES. No.

The CHAIRMAN. Will you not please give it to us?

Mr. JONES. The average cost per acre, from 1906 to 1911, was $63.91 per acre, brought out by Mr. Petrikin, who is now president of the Great Western Sugar Co., as what it cost those people to raise. The farmers' statement, gotten out, is that it costs $70.40 an acre. This was some two years ago, with everything advancing so rapidly. For instance, one point, taking our beets from the field and delivering them to the switch or to the factory, we paid this present season $125 a month for a man who scooped beets into the wagon and scooped them out again, and gave him his board and his room.

Senator VARDAMAN. What did you pay before that?

Mr. JONES. Before that we usually hired men by the month. It usually cost us about $35 a month.

Senator VARDAMAN. Then wages have increased about 300 per cent, have they not?

Mr. JONES. They have increased quite extensively, yes, right along there. If a man were to start in farming next year, I have in that bunch of papers there a statement made out by Mr. Patterson, our principal hardware dealer, as to the advance in implements, including harness, etc., and if I may advance an idea here, I want to make this statement, that we are in utter ignorance in our community of this hearing going on. We came here seeking relief at the hands of the Food Administration, when they got to sending out word to the landowners and to the farmers, purely upon the basis of a patriotic appeal, that they wanted us to put in more acres, and it left a pretty heavy burden upon us, because we know we are buying liberty bonds. we know that the sons and the daughters there are going to the front, and we do not like to have the Food Administration believe that it is necessary to make an appeal to us on the basis of patriotism to increase our acreage. We wanted to tell Mr. Hoover why this cause existed, and its remedy, as we thought. That is the incentive that brought us down here.

The CHAIRMAN. Will you be in town to-morrow?

Mr. JONES. Yes, sir.

The CHAIRMAN. I am going to ask you to prepare to-morrow, and to send to the committee, a statement of costs and expenses for next year's crop, and with that a statement of the costs and expenses on last year's crop, and the year before, running back three or four

or five years, giving us your costs as accurately as you can. Can you do that?

Mr. JONES. I can approximate it.

The CHAIRMAN. Very well. We may be going into some detail, and I think we might avoid that by that suggestion.

Mr. JONES. That is all right, Senator.

The CHAIRMAN. What is the price that has been paid this last year for beets?

Mr. JONES. The best price is $6, with a promise, after such a length of time had elapsed, and the acreage did not come along quite rapidly enough, of a 50-cent bonus per ton. The basic price was $6 on beets that ran from 12 per cent up to 14 per cent saccharine matter.

The CHAIRMAN. Have you any of these contracts?

Mr. JONES. We have them here in the room. Mr. Cummings, have you your contract here?

Mr. CUMMINGS. No; I have a table here.

Mr. JONES. You have the proposed contract?

Mr. CUMMINGS. I have a proposed contract. I have a table showing the cost of beets in 1914, 1915, and 1916, the yield per acre, and the amount of sugar in them.

The CHAIRMAN. One table would be as much as we would want. What I want to get at is this, what was the contract price named for the year 1913, per ton?

Mr. JONES. At that time I was not raising beets.

The CHAIRMAN. Then 1914?

Mr. JONES. I did not raise beets that year.

The CHAIRMAN. 1915?

Mr. JONES. Five dollars and a half.

The CHAIRMAN. That was the contract price?

Mr. JONES. Yes, sir.

The CHAIRMAN. Did you get any bonus that year in order to induce the farmers to put in beets?

Mr. JONES. Possibly we got a 50-cent bonus. I am not sure.

The CHAIRMAN. Was that late in the season, looking forward to securing more acreage?

Mr. JONES. Looking forward to securing more acreage for the following year.

The CHAIRMAN. In 1917 you were in the business?

Mr. JONES. Yes, sir.

The CHAIRMAN. What was the price?

Mr. JONES. $6 on a basic percentage of 12 to 14; 12½ cents advance on every half per cent after 14.

The CHAIRMAN. That is, in price?

Mr. JONES. Yes, sir; per ton.

The CHAIRMAN. I am asking you whether there was any bonus given?

Mr. JONES. Just that 50 cents.

The CHAIRMAN. That same 50 cents on it?

Mr. JONES. That same 50 cents. I think there was an additional 50 cents added. Mr. Bacon, do you remember?

Mr. BACON. In 1917, yes.

The CHAIRMAN. When was that offered to you? Was that offered to you when your crop was only partly planted, or offered later on?

Mr. JONES. That was offered later on, when it seemed like there was a sugar famine in sight. We first got a 50 cent advance early in the season, very early in the season.

The CHAIRMAN. How did the 50 cents help to do away with the sugar famine after the crop had been planted? I do not quite get that.

Mr. JONES. This 50 cents later on came on. There were two different 50-cent raises, the last 50 cents coming on when the factory people appreciated the fact that labor was going up so rapidly in price, materials were advancing so rapidly in price that there was a certain psychology in the various communities to appease—to suppress agitation.

The CHAIRMAN. Discontent?

Mr. JONES. Yes, sir. That is their ointment and their salve.

The CHAIRMAN. The proposed price for next year is what?

Mr. JONES. The proposed price for next year is $8.37½ on the basic percentage of 12 to 14 per cent saccharine matter.

The CHAIRMAN. Is that a living price?

Mr. JONES. It is not.

The CHAIRMAN. How much is it below the living price?

Mr. JONES. That will be pretty hard for me to state at once.

Senator VARDAMAN. Why do they pay less for beets in California than they do in Colorado?

Mr. JONES. Because the sugar content runs about 3 per cent higher.

Senator LODGE. Three per cent higher in Colorado?

Mr. JONES. No, sir; in California.

Senator VARDAMAN. You do not raise any 17 per cent beets in Colorado, do you?

Mr. JONES. Yes, sir; in various neighborhoods; they are spotted.

The CHAIRMAN. Can you approximate the cost for next year—the price beets would have to be in order to get out even?

Mr. JONES. I do not see any way of coming at that only in this way, a cost that would be satisfactory to the farmer to make good the lack of acreage that will be planted, and I know that they are not going to plant beets there unless they get about $12 a ton for a 16 per cent beet.

Senator LODGE. That is a high per centage, is it not?

Mr. JONES. No; a 16 per cent beet will just about get our average beet, in my country, and I suppose it will in Fort Collins and Greeley.

The CHAIRMAN. In other words, if they get it that high, it is your judgment that the farmer will plant, and if they do not get it that high, he will quit planting?

Mr. JONES. Senator, it is not an attractive crop. He will raise wheat.

Senator VARDAMAN. Can you fertilize the ground so as to increase the saccharine matter in the beet?

Mr. JONES. We can increase the tonnage, but not the saccharine matter.

Senator VARDAMAN. It has been suggested to me by Senator Jones that they get sugar from air.

Mr. JONES. Yes, sir; the leaves and the roots work coordinately.

The CHAIRMAN. You say if the price is not up to 12, what will happen? Will the farmers continue in the beet business, or will they go to raising something else?

Mr. JONES. They really will raise something else, if we did not feel that it was our patriotic duty to raise beets, because we would rather raise something else, even at that.

The CHAIRMAN. Because something else would be more profitable?

Mr. JONES. Yes, sir.

The CHAIRMAN. You have had some correspondence with the Food Administration in regard to this, have you not?

Mr. JONES. Yes, sir.

The CHAIRMAN. I notice here a letter of October 11.

Mr. JONES. Yes, sir.

The CHAIRMAN. Is that the first communication you had with them?

Mr. JONES. Yes, sir.

The CHAIRMAN. Do you object to my putting these in the record?

Mr. JONES. No, sir.

The CHAIRMAN. I want to offer, then, the letter of October 11, 1917, written to Mr. Hoover. I am not going to take time to read it, if the committee please.

(The letter referred to is here printed in the record in full, as follows:)

EXHIBIT No. 113.

FORT MORGAN, COLO., *October 11, 1917.*

Mr. HERBERT C. HOOVER, *Washington, D. C.*

DEAR SIR: The report which I submit and the request which I made in behalf of the sugar beet growers you will find are attested to by Thomas Park, president of the local farmer's union; J. M. Collins, of Eaton, Colo., president of the State Farmer's Union; Mr. Hicks, of Greeley, Colo., president of the Rocky Mountain States Sugar Beet Growers' Association.

Inasmuch as a price was fixed for wheat and also flour for the purpose, I infer, of protecting producer and consumer alike from manufacturer and middleman, who are also designated as profiteers, this action of yours has reflected great credit to our country and has met with general approval.

As momentous, far-reaching, and varied as are your duties it is with temerity that I call your attention to one feature of our food supply, which might otherwise escape your notice.

Why not fix the price of farmer's sugar beets to the factory, just as you have his wheat to the miller? Mr. Hoover, the sugar companies made a net profit of $226.40 off of every acre of land the farmers had in beets which yielded 10 tons to the acre, and the majority of our beets made that yield, while some of our newer land fell short of that tonnage, which gave us a county average of 12.4 tons per acre—this was for season of 1916—and the farmer made about $4 per acre at 12 tons per acre, while he carries the bulk of the investment to produce sugar, did all the heavy work of maturing the crop, and took all the chances of crop failure.

We are now beginning to harvest the 1917 crop of sugar beets. The expense of growing this crop has been tremendous as compared to former years. For instance, this one item: We are paying men without their teams and wagons $100 and their board per month to haul these beets to cars or factory, and the increase is general as concerns expense to farmer all along the line, and the expense to grow and deliver 1 acre of beets this year will be between $90 and $100 per acre.

Mr. Petrikin, who is president of the Great Western Sugar Co., made this sworn statement, that for six years the average cost to their company on their own ground to produce 1 acre of beets was $63.91. (See Hardwick hearings, p. 2727, for the evidence of Mr. Petrikin.) This expense was for 1906 to 1911, inclusive, when labor was cheap, and it is conservative to state that $100 is a fair estimate of cost at this time. Now, the Great Western Sugar Co. will admit that they secure 2.5 bags of sugar from 1 ton of beets; then, at 12.5 tons to the acre 31.25 bags are secured; at $7.25 per bag they receive $226.56 for the farmer's 1 acre of beets.

Their expense to manufacture one bag of sugar, which includes cost of beets, sacks, maintenance, and repairs, plus depreciation and every other expense entailed in process of manufacture, is $3.7384 per bag. Now, you will note maintenance and repair, which amounts to $0.167, is charged against the farmer as an expense to make his beets into sugar, and this should compensate for depreciation; but not so, for they charge against the farmer's beets a depreciation expense of 25 cents against every bag of 100 pounds of sugar. So when I quote the above figures to you, I am quoting Table 18, page 80, of the Government Federal Trade Commission, entitled "Report on Beet Sugar Industry of United States," issued May 24, 1917, by our Government. Now, let us assume that the increase in price of labor and material will also make the factory's expense greater, and by a close analysis we find that $4 per bag will cover every item of expense in the manufacture of 100 pounds of sugar; so that the expense of making 31.25 bags of sugar secured from 1 acre of beets, at $4 per bag, is $125, thus leaving a net profit to the company of $101.5625 per acre off of the farmer's investment and labor and the hazard which he has taken to produce this crop.

Now, the farmer will receive approximately with the sliding scale an average of less than $7 per ton for his beets, but we will assume that it will be $7 flat per ton, so his 12.5 tons per acre will yield him $87.50; then the foliage and tops are worth $4 per acre for forage, so that he has a total income from his acre of land of $91.50 and an expense of from $90 to $100 to grow and deliver his crop. You say absurd. Well, I have submitted the figures and various reports. You may say, Why, if this is true, do they continue to grow them? I answer that one item of expense that the Great Western Sugar Co. took into account and which they had to hire was time for labor. Now, it is for this reason that they abandoned growing beets on their property, for they know, as a rule, that the farmer does not count his time as anything, and it is this item that allows him to just make a meager living off of his farm, while the great sugar companies are making over $100 an acre clear profit.

I use the Great Western Sugar Co.'s name here, for no other reason than this is the company with which we immediately come in contact; not that I think they are more guilty than other companies, as I have reason to believe that all are quite similar.

When you fixed the farmers' price of wheat, I can have no doubt but what you were familiar with the cost of production to the farmer. Now, I have given you the facts concerning the beet grower and cited you to authorities, should you care to investigate, which will clearly show you that if the wheat grower needed protection from the profiteer, you have a double reason to protect the beet grower from this profiteering buccaneer, for he has driven nearly all the farmers, except the foreign element with large families of little children, from the beet fields, and it is these little children and their mothers, who work from early dawn till late at night and whose time is now counted as nothing, that makes beet farming at all possible.

Mr. Hoover, a terrible thing is being enacted here We are sure that you are totally unaware of it, or some effort would have been advanced some time ago, but now that you know, we feel that some effort will be made by you. We, as a farming community, commend not only the Great Western but all other sugar companies and all other large business interests in their splendid spirit of patriotism, when they rush to our country's aid in buying millions and millions of dollars of liberty bonds. We are only human and we feel that same surging impulse to praise, worship, adore, and support our country in her time of need; can not you make it possible for us to more closely come into possession of what we would deem a more equitable division of the profits in this great industry, that we may also purchase liberty bonds and not only evidence our patriotism but share in the supreme glory of responding to our country's call in her hour of need.

We are aware while submitting this report and making this request that the president of the Great Western Sugar Co. (Mr. Petrikin) has spent a great deal of time in Washington and the East, and we are also aware of the fact that Mr. Thomas B. Stearns, who is now in control of our food supply for the State of Colorado, is now building a large sugar factory, he being one of the principal owners, consequently in the event that you should investigate this condition, I presume you would largely depend upon him in this matter and it is for this reason that I call your attention to the fact that Mr. Stearns's interests are directly opposite those of the farmer.

Now, in conclusion, allow me to state that wheat which yields 30 bushels to the acre will also yield 6 barrels of flour. The maximum profit you allow the

miller is 25 cents per barrel, and this amounts to $1.50 profit per acre; the by-products—brans, shorts, etc.—for this acre of wheat will possibly yield another 50 cents profit, which will allow the miller to make practically $2 net profit for every acre of wheat which averages 30 bushels. The contrast, Mr. Hoover, is startling, for we all realize at this period of civilization that sugar is one of the prime necessities of life, and yet the great sugar companies are allowed to make a clear net profit of over $100 per acre of beets which yield 12½ tons per acre, a difference of $98 an acre in favor of the sugar miller as against the flour miller.

Our factory here sliced about 12,000 acres of beets last season and should they slice that many this year, then their net earnings will be $1,200,000 on an original investment of $550,000, but which is now assessed at about $1,000,000.

I most respectfully invite the closest scrutiny and analysis of this report and request.

Respectfully submitted.

R. E. JONES, M. D.

Attest: After carefully reading and analyzing the foregoing statements of Dr. R. E. Jones, we cheerfully subscribe to the correctness of same.

_____.

Subscribed and sworn to before me this _____.

_____,
Notary Public.

Mr. JONES. Let me suggest that in this letter there is space there to be attested and that the original was signed by Mr. Collins, president of the State Farmers' Union, and also by J. A. Hicks, president of the Intermountain State Sugar Growers' Association.

The CHAIRMAN. I will thank you if you will complete the copy before I leave it.

Mr. JONES. Yes, sir.

The CHAIRMAN. Then I put in evidence the reply of Mr. Rolph, dated October 20.

(The paper referred to is here printed in full in the record, as follows:)

EXHIBIT No. 114.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., October 20, 1917.

Mr. R. E. JONES, Esq.,
Fort Morgan, Colo.

DEAR MR. JONES: This is in acknowledgment of your communication of the 11th instant addressed to Mr. Hoover.

The particular matter to which you have called attention has beeen given careful consideration by the Food Administration, which hopes that it may be satisfactorily adjusted by mutual cooperation between the farmers and sugar manufacturers. It is the earnest hope of the Food Administration, in view of the urgent necessity for sugar supplies that the beet crop of 1918 may suffer no diminishment and that the farmers in the beet-producing States will, as a patriotic duty, cooperate to that end.

Very truly, yours,

U. S. FOOD ADMINISTRATION,
By GEO. M. ROLPH.

Mr. JONES. I misplaced the letter to which this letter here is the answer, but I got this out of the newspaper.

The CHAIRMAN. You have here a newspaper clipping containing what purports to be a copy of a letter you wrote on October 19 to Mr. Rolph?

Mr. JONES. Yes, sir.

The CHAIRMAN. And this is a true copy of it?

Mr. JONES. Yes, sir; that is a true copy.

(The papers referred to are here printed in the record in full, as follows:)

EXHIBIT No. 115.

FORT MORGAN, COLO., *October 19, 1917.*

Hon. GEO. W. ROLPH,
United States Food Administration, Sugar Department.

DEAR SIR: Relative to my letter to Mr. Hoover concerning the price of sugar beets which we think the factory should pay the farmer, will state that your reply is before me, and also the purported statement given out by Mr. Hoover October 20 concerning the sugar situation in general to the Associated Press, and among other remarks the intimation was made that it was the farmers' patriotic duty to increase his acreage at this particular time, as it is not only our country's consumption that must be provided but the world to a very large extent is dependent upon us for its sugar supply.

Then again in your letter to me you also make the same statement. Now, I freely assume the responsibility of this statement to Mr. Hoover and yourself, that so far as patriotic duty is involved fear not, indeed, dismiss all concern you may feel toward the farmer after you have established the fact that you are giving him the same equivalent in protecting his interest that you are to the beet manufacturer.

You will note in the new contract for 1918, as issued by the Great Western Sugar Co., that they are offering a sliding scale and that one feature of this contract is that a 1½-cent raise for every one-half per cent increase in sugar content is denied to all those beets between 12 and 14 per cent. This variation amounts to 40 pounds of sugar to the ton of beets, and when we remonstrate against this outrage they have many explanations to make why this is done, all of which are incomprehensible and totally bewildering to the average farmer and meant to be so, and in the meantime they have gotten away with the 40 pounds of sugar, which usually is taken from the poorest farmers that we have, for they as a rule are the renter class, who rent the poorest lands and therefore produce the beets with the lowest sugar content. However, the company knows that the remonstrance of this class of farmers is not very threatening and that they are safe in perpetrating this outrage, but they would not dare to apply this principle to beets that run between 16 and 18 per cent of sugar, for they know full well that they would come in contact with another class of farmers that would never stand for it.

In my former letter I detailed some of the cost features to the grower and in addition I cited you authority as to this cost by referring you to Mr. Petrikin's evidence and also to the report of the United States Federal Trades Commission, which details all information both as to cost of production and the manufacture.

Now Mr. C. S. Morey, who was formerly president but now the chairman of the board of directors of the Great Western Sugar Co., has issued this statement, that the raise which his company has made in price for beets has been made purely upon the ground of patriotic inspiration, and so splendidly magnanimous is he that he is urging the farmer to become as he, a patriot, and automatically after the transition obtains he will grow more acres of beets.

Granting that Mr. Morey's modest self-asserting claim to patriotism is all that he would have us believe it to be, yet I am rather at a loss to know why the delay in its discovery, and the strong hold that it has apparently taken upon himself and associates, makes it appear strange indeed that this positive type of patriotism has not in some form manifested itself in an advance to the same standard of price on this year's crop, for I can not understand when the same incentive existed for the 1917 crop as is the case for the next season's crop, why the magic has not asserted itself in each instance alike.

Infer that your department has been frequently interviewed by the Great Western and other of the sugar companies, relative to commercial condition as concerns price and possible future production of the sugar beet. If I am correct in this assumption, I am quite sure that they have never extended to the growers an invitation to be present, while making their representations.

Now, if your department will grant the growers an audience, thus giving to him an opportunity to show not only just cause why he should receive $10 for his 16 per cent beet, but also for the further purpose of having this price safeguarded and guarantee a sufficient acreage, that a sugar shortage will positively be averted.

In the event that your department should look with favor upon this request, we would gladly welcome a representation of the great sugar companies to be present, and feel free to deny or oppose the justness of our claims, if in their opinion, they should know that we were not correct in our representation.

Now, for the benefit of your department, the farmers of Colorado know that with the same investment and physical energy expended that we do not raise one crop but will far exceed the profit which the Great Western Sugar Co. will allow us to make, while on the other hand there is no crop which will pay to the farmer by one-half the amount that he can make out of beets if this same company would be content with the usual business dividend, so you see that in order for the farmer to be able to evidence his patriotism, and buy Liberty bonds, he must raise something else, just that surely you must turn your attention entirely to the great sugar companies—make them come through and be satisfied with the greatest profit ever made off the farmer and at the same time pay him $10 per ton for his beets, and you will see the acreage doubled in Colorado, and the Great Western Sugar Co. making a clear profit of approximately $60 per acre off the farmer; then, lo and behold, the appeal for patriotism will be self-adjusting, the ostensible will then melt away, and the real will be simple and well and easily understood.

Sincerely,

R. E. JONES, M. D.

EXHIBIT No. 116.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., November 8, 1917.

R. E. JONES, Esq., M. D.,
Fort Morgan, Colo.

DEAR SIR: Your favor of October 19 just received, and I have read same with much interest.

The matter of beet prices for the coming year has had our serious consideration when taking into account the price we have asked the beet people to sell their sugar.

As you undoubtedly know, the beet companies have agreed, at the Government's request, to sell their sugar at $7.25, less 2 per cent seaboard basis, which price will probably not net them over $6.75 for all their sugar, as large quantities of it will have to be shipped to the Atlantic seaboard, where they are obliged to sell at $7.10, less the freight from Colorado to the Atlantic seaboard.

We are desirous of seeing that the farmer secures the highest possible price for his beets, but at the same time we have to consider supplying the American people with sugar at a reasonable cost. If we confine the price of sugar to about present prices, the beet people are precluded from paying more than a certain price for beets.

A beet containing only 12 per cent sugar is not a profitable beet to work, from a sugar standpoint, as the percentage of extraction from a 12 per cent beet is much less than from a 16 per cent beet, because the 12 per cent beet has not matured to the same extent of a 16 per cent beet and contains a greater percentage of impurities. Eight dollars and thirty-seven and a half cents for a beet testing from 12 per cent to 14 per cent is a relatively higher price than $9 for a 16 per cent beet, for the reason explained above, that the percentage of sugar obtainable. * * *

The CHAIRMAN. Then there is a newspaper clipping here following that, headed "Great Western Sugar Co. will net $16,500,000." What is that clipping from?

Mr. JONES. That is from the Denver Post.

The CHAIRMAN. Does the committee want that newspaper clipping to go in?

Mr. JONES. That just happened to be as a matter of information that I use around.

The CHAIRMAN. I notice here attached what appears to be a price list. What is that?

Mr. JONES. That is the list that I spoke to you about, showing farming utensils, and so forth, prepared for me by Mr. Patterson, our leading implement merchant.

The CHAIRMAN. That is to show the prices of 1913 as compared with the prices of 1917?

Mr. JONES. Yes, sir.

The CHAIRMAN. For instance, harness in 1913, $55; in 1917, $85. Wagons in 1913, $90; in 1917, $125; and so on.

Mr. JONES. Yes, sir.

The CHAIRMAN. Are those prices that are there stated reasonably accurate?

Mr. JONES. Yes, sir; that is accurate.

The CHAIRMAN. These prices have not been regulated or fixed for the benefit of the farmer?

Mr. JONES. Oh, no.

The CHAIRMAN. You have to buy in the open market of the world!

Mr. JONES. Certainly. Only those prices will go higher by spring.

The CHAIRMAN. Here is a letter to Thomas Lee Woolwine.

Mr. JONES. That is a copy of a telegram I sent Mr. Woolwine. The telegram should be there following.

Senator VARDAMAN. That is not necessary.

The CHAIRMAN. No. I do not think it is. I want to put in evidence at this time a circular sent out by the Food Administration—I take it is a circular—dated October 22, 1917.

Mr. JONES. Yes, sir.

The CHAIRMAN. Signed "Herbert Hoover." "One of the most vital problems confronting this Nation is that of procuring sufficient sugar," etc.

(The paper referred to is here printed in the record in full, as follows:)

EXHIBIT No. 117.

(Jones Exhibit 5.)

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., October 22, 1917.

One of the most votal problems confronting this Nation is that of procuring sufficient sugar to meet the requirements of our people and of the allied nations fighting our common battle. The production of cane sugar in this hemisphere can and will be increased to a limited degree. But we must rely upon the farmers in sugar beet producing sections of the country for a part of the needed supply. I, therefore, earnestly appeal to every farmer, so situated, to come to his country's aid in this hour of need. Without the cooperation of the American beet grower our task will be very difficult and our ability to respond to the calls to be made upon us for this very essential commodity will be curtailed. It is at least the duty of every beet grower to maintain in 1918 his normal acreage of sugar beets. It is his privilege to increase that acreage to the extent that a well balanced production of crops will permit, and in this manner effectively demonstrate his patriotism.

HERBERT HOOVER.

Mr. JONES. May I remark right there that that letter in inclosed to every beet grower wherever the Great Westen Sugar Co. operates. When they send a pay check to the farmer they send him that letter.

The CHAIRMAN. With this Herbert Hoover signature on it?

Mr. JONES. Yes; with that Herbert Hoover signature.

The CHAIRMAN. In other words, the sugar manufacturer employs this circular as a patriotic appeal to you people to raise beets on which it is to make these enormous profits?

Mr. JONES. Yes, sir.

The CHAIRMAN. Then follow what purport to be resolutions passed by the farmers of Brush County, Colo.

Mr. JONES. A similar set was passed at Fort Morgan.

The CHAIRMAN. And they are dated December 1, 1917?

Mr. JONES. We will let them go in the record, I think. It is in the nature of a petition.

(The paper referred to is here printed in the record in full, as follows:)

EXHIBIT No. 118.

RESOLUTIONS PASSED BY THE FARMERS OF BRUSH, COLO., MEMBERS OF THE ROCKY MOUNTAIN STATES SUGAR-BEET GROWERS' ASSOCIATION, AND SAME FORWARDED TO HERBERT HOOVER, WASHINGTON, D. C.

Whereas the Great Western Sugar Co., through the chairman of its board of directors, C. S. Morey, published a letter, ostensibly to the various managers of its sugar mills, but in reality to the public, made numerous misleading statements, which in their very nature, if not intended, at any rate have had the effect of forming the wrong impression in the minds of the public; apparently has this been done along the lines of their old method—that is, they would have the dear public first of all realize how wonderfully magnanimous they are, not only in their aid in water suits, "wherein they are directly interested," but in building roads, also breaking contracts voluntarily and paying the farmers a little more, so that they may palliate them, that he will again raise beets that they may still continue their extortions from him.

But wonder of wonders, this magnanimousness has now appeared in the full bloom of patriotism. But strange it may seem, they are the ones who discovered it, and when they did, what happened? Why, they heralded it to the world for fear the dear people might overlook it.

Now, therefore, the statement is made that when they made this advance in the price of beets they were taking great chances and gambling on war conditions. We know nothing about their gambling, but we do know that they do not take a chance in the world with the farmer in the beet business.

Now we propose to analyze this chance and see if as a net result whether or not it will classify their type of patriotism, for remember the letter of C. S. Morey wherein he stated that the advance was made purely from a patriotic motive.

Now to analyze. We know that 12.5 tons is an average in this country for beets. We also know that the least estimate of sugar is 2.5 bags per ton. Then 1 acre will produce 31.25 bags. Now, at the increase which they pay for beets, it costs $4.60 per bag to make this sugar, which now brings $7.25 to the company. This gives them a net profit of $2.65 per bag and a net profit on 1 acre of ground of $82.81, and this does not include the profit on their by-products.

Now, on 20,000 acres of beets in Morgan County their net profit, exclusive of by-products, will be $1,656,200 on our 1917 crop alone, and this on an original investment of $550,000 for each of our two factories.

Now, we must not pass up the farmer in this analysis, as he is the suspect that the Great Western is doubtful as to his patriotism and arrogates to itself and delegates itself as the proper person to take this beet farmer by the nape of the neck, shakes him down, and says: "Come, be patriotic and plant me some beets; your country is at war, and I am buying her liberty bonds; hurry up, now, and don't ask any questions, but sign these new contracts and be a patriot."

Well, the farmer's new contract will have to be figured out on averages. So we will have to take it 12.5 tons as his basis. This at $9 per ton equals $112.50. And his cost to produce this acre is variously estimated, with the general opinion being $100 per acre. Thus the farmer's net profit under the new contract will be $12.50 per acre, contrasted with the Great Western's $82.81, and they only carry 10 per cent of the total investment of the business.

Does the classification of such patriotism need further explanation?

We deny, Mr. Hoover, that your department, as claimed by Mr. Rolph, has had a simple communication from any farmer that is approved by any farmer's organization in the sugar-beet district of Colorado, but rather is a decoy and through some favor shown him (such as supplying him with pulp for feed)

he is thus bought up by the various sugar companies, and he is the fellow to which Mr. Morey alludes to as "our farmer friends."

Now, therefore, be it further resolved, that inasmuch as our country is at war and that there is a greater dependency resting upon the yeomanry of the country in the matter of supporting and providing for our Army and Navy abroad, as well as providing for other countries, as well as our own, that every effort should be made to the end of giving proper treatment to the great farming class, in the matter of protecting them from such avarices as practiced upon them by the Great Western and other sugar companies.

So we now pray our Government through your department to take over these great sugar institutions, pay them a most liberal, bounteous dividend which would be satisfactory to the average corporation, to the end that we may at least come in possession of a reasonable amount of the profits of our business.

Give us this opportunity to evidence our patriotism, for we are only too willing to support our country, and if our request is complied with you can at once dismiss all concern from your mind relative to a shortage of sugar, for with such assurance the sugar acreage of our country would not only be doubled but quadrupled if it can be made as attractive to the growers as other crops.

As it is we can not, under the system of the Great Western Sugar Co., grow beets when other crops yield far greater profits on our investment and labor. So with Mr. Stearns, whose interests are identical with the Great Western Sugar Co. and other sugar companies, and your representatives in Colorado, food conservation; and with your farmers, who are merely decoys and are to be found in all communities for the price of beet pulp for their steers, we adjure you to look a little further, for these farmer friends of the company and Mr. Stearns are not representative of the beet growers of Colorado.

ISAAC BOLINGER, *President.*
HENRY R. HANSEN, *Secretary.*

DECEMBER 1, 1917.

The CHAIRMAN. There is a statement here of December 12, addressed to you and signed by C. G. McCord, county agricultural agent, in which he states, "In reply to your request for estimates on the cost of raising crops in Morgan County, I will submit the following account for beans on irrigated and dry land, and also for small grain," etc.

Mr. JONES. It is just showing why the farmers are not raising the acreage of wheat.

The CHAIRMAN. Is he an authority on these matters in your country?

Mr. JONES. He is our county agriculturist.

The CHAIRMAN. Regarded as a good authority?

Mr. JONES. Oh, yes, indeed.

The CHAIRMAN. That may go in.

(The paper referred to is here printed in the record in full, as follows:)

EXHIBIT No. 119.

[Morgan County Federation of Agricultural Clubs, an organization for the improvement of Morgan County agriculture. C. G. McCord, county agricultural agent. Executive committee: C. A. Thompson, Antelope Springs, president; Nells Christensen, Brush, vice president; E. J. Leonard, Fort Morgan, secretary; John Wyckoff, Weldona, treasurer; E. H. Groves, Adena.]

FORT MORGAN, COLO., *December 12, 1917.*

Dr. R. E. JONES,
Fort Morgan, Colo.

DEAR DR. JONES: In reply to your request for estimates on the cost of raising crops in Morgan County I will submit the following accounts for beans on irrigated and dry land and also for small grain on dry and irrigated land. These estimates are based on first-hand information secured from average farmers all over the county. These estimates have also been checked with actual cost records as kept in other counties, and all in keeping with my own knowledge and experience in my four years' work among the farmers of the county

Hoping these figures may be of service to you and of value to our county agriculture, I am,

Very truly, yours,

C. G. McCORD,
County Agricultural Agent.

Cost of raising 1 acre of small grain (irrigated):	
Plowing	$3.50
Harrowing	2.75
Leveling	3.00
Ditching	.50
Sowing	1.00
Irrigating	2.00
Harvesting	2.00
Stacking	2.75
Thrashing	6.00
Hauling	2.00
Land rental	12.50
Tools and implements	1.00
Total	39.00

Cost of raising 1 acre of small grain (dry land):	
Plowing	$2.50
Harrowing	2.75
Sowing	1.00
Harvesting	2.00
Stacking	2.00
Thrashing	4.00
Hauling	3.00
Land rental	3.00
Tools and implements	1.00
Harrowing twice (after up)	1.00
Total	22.25

Cost of raising 1 acre of beans (irrigated):	
Plowing	$3.50
Harrowing	2.75
Leveling	3.00
Ditching	.50
Planting	1.25
Cultivating	2.25
Hoeing	3.00
Irrigating	2.00
Harvesting	6.50

Cost of raising 1 acre of beans (irrigated)—Continued.	
Stacking	$3.00
Thrashing	3.00
Hauling	1.00
Total	31.75
Land rental	12.50
Tools and implements	1.00
Grand total	45.25

Cost of raising 1 acre of beans (dry land):	
Plowing	$3.50
Double disking	1.00
Double harrowing	.80
Seeding	.75
Double harrowing (after up)	.80
Second double harrowing (after up)	.80
Weeding (by machine)	.75
Row weeding (by hand)	1.50
Pulling	5.50

Cost of raising 1 acre of beans (dry land)—Continued.	
Hauling to thrasher or to stack, if stacked	$1.25
Thrashing	1.20
Hauling to elevator (10 miles)	1.00
Hail insurance	1.00
Seed	1.50
Land rental	3.00
Tools	1.00
Total	25.35

Average yield in Montgomery County, 300 pounds.

The CHAIRMAN. Have you anything else?

Mr. JONES. Here is a price list that the farmers received from some of the foreign countries per ton of beets.

The CHAIRMAN. I think this price list has already gone into the record. These simply are prices in Germany. There is presented here the contract of the Great Western Sugar Co. I think that went in in the early part of the hearings. Let it go in now, and if it is duplicated we will not use it.

(The paper referred to is here printed in the record in full, as follows:)

EXHIBIT No. 120.

DUPLICATE MEMORANDUM OF AGREEMENT BETWEEN ————, GROWER, AND THE GREAT WESTERN SUGAR CO. (FORT COLLINS FACTORY).

1. The grower agrees to prepare the land for, plant, block, thin, cultivate, irrigate, harvest, and deliver during the season of 191—, in compliance with

the directions of the Great Western Sugar Co., hereinafter called the company, as may be given from time to time, ——— acres of sugar beets on the following-described lands, to wit: ——— quarter section, ——— township, ——— range, ———, ——— county, Colo; but in no event shall the company be held liable in damages for any failure or partial failure of crop or any injury or damage to beets.

2. That the seed used shall be only that furnished by the company, for which the grower shall pay 10 cents per pound, and 12 pounds per acre shall be planted, the same to be paid for out of the first beets delivered. Seed bed must be approved by the duly authorized agents or field men of the company before the seed is planted.

3. The grower agrees that all beets grown by him will be harvested and delivered to the company as directed, at the factory or in cars at designated receiving stations of the company, properly topped at base of bottom leaf, and that knives will not be used for lifting beets; but hooks may be used provided they are properly driven into the top of the crown of the beet only. The grower further agrees that all beets grown and delivered by him shall be free from dirt, stones, trash, and foreign substance liable to interfere with the work at the factory, and shall be subject to proper deductions for tare, and that he will protect the beets from sun or frost after removal from the ground. The company has the option of rejecting any diseased, frozen, or damaged beets, beets of less than 12 per cent sugar or less than 80 per cent purity, or beets that are not suitable for the manufacture of sugar. It being agreed and understood that the company shall not be obliged to receive any beets prior to October 8 containing less than 15 per cent sugar. It also being understood that the company will commence receiving the crop as soon as the beets are thoroughly matured.

4. In the event that any portion of the beets grown under this contract (except that portion of the crop which is to be siloed as herein provided) shall not by the 8th day of October of said year be ordered delivered by the company, then in such case it shall be the duty of the grower to promptly commence and proceed with the harvesting and delivery of such beets as come within the contract requirements after the said 8th day of October without further notice from the company, and to fully complete delivery of all of said beets on or before the 1st day of December of said year.

5. The grower agrees to silo, if so directed in writing by the company prior to harvest, any portion of the tonnage produced on the above contracted acreage not to exceed 25 per cent of the entire crop grown hereunder.

6. Beets delivered and accepted will be paid for by the company, as follows:

$8.375 per ton for beets testing not less than 12 per cent sugar and under 14 per cent.

$8.50 per ton for beets testing not less than 14 per cent sugar and under 14.5 per cent.

$8.625 per ton for beets testing not less than 14.5 per cent sugar and under 15 per cent.

$8.75 per ton for beets testing not less than 15 per cent sugar and under 15.5 per cent.

$8.875 per ton for beets testing not less than 15.5 per cent sugar and under 16 per cent.

$9 per ton for beets testing not less than 16 per cent sugar and under 16.5 per cent.

$9.125 per ton for beets testing not less than 16.5 per cent sugar and under 17 per cent.

$9.25 per ton for beets testing not less than 17 per cent sugar and under 17.5 per cent.

$9.375 per ton for beets testing not less than 17.5 per cent sugar and under 18 per cent.

$9.50 per ton for beets testing not less than 18 per cent sugar and under 18.5 per cent.

$9.625 per ton for beets testing not less than 18.5 per cent sugar and under 19 per cent.

$9.75 per ton for beets testing not less than 19 per cent sugar and under 19.5 per cent.

And 12½ cents per ton additional for each one-half per cent above 19.5 per cent.

For all beets siloed $1 per ton extra will be paid. It being distinctly understood, however, that none of such siloed beets shall be delivered until the company sends written instructions to the grower to make delivery of "siloed beets";

also that all of said siloed beets shall be ordered and delivered prior to January 31.

Payment to be made the 15th of each month for beets delivered and received during the previous calendar month.

7. The grower shall have the privilege of selecting, at his expense, a man of reliable character satisfactory to the company to check the tares and weights of the beets grown under this contract at the receiving stations where such beets may be delivered, and to check in the tare-room laboratory the polarization of his beets.

8. It is further agreed in the event of a shortage of cars after October 8, causing serious delay to the grower, said grower shall be allowed to fork his beets into piles, providing he piles them 8 feet high, under the direction of the company at the receiving stations, where large elevated dumps are established, and no loose dirt shall be removed from the wagon box until after having been weighed back.

9. To ascertain the quality of said beets the company shall have the privilege at various times during the growing and harvesting season of causing the beets to be sampled and polarized.

10. The grower agrees not to assign this contract without written consent of the company.

_____,
Grower.

THE GREAT WESTERN SUGAR CO. (Fort Collins Factory),

(Indorsed in red:)

By_____.

The silo clause of this contract will not be enforced for the year 1918.

FORT COLLINS, COLO., _____, 191__.

(NOTE.—The foregoing is the duplicate copy of the memorandum of agreement. Attached thereto is an identical copy, marked "Original.")

The CHAIRMAN. This is an agreement with the Great Western Sugar Co. Is that the company that does business in your part of the world?

Mr. JONES. Yes, sir.

The CHAIRMAN. Is that one of the regular contracts for the coming year, 1918?

Mr. JONES. Yes, sir.

The CHAIRMAN. That proposes to give you $8.375?

Mr. JONES. Yes, sir. That was my statement; $8.375 for beets running between 12 and 14 per cent.

The CHAIRMAN. Let this agreement go in. Is there anything else?

Mr. JONES. One thing more that I would like to call your attention to. Here is a statement of the amount of beets I had delivered to the mill up to the 15th of last month. If you notice this scale, anything that breaks beyond 14 per cent, up to 14.5, they pay me for the 0.5 per cent, but if it runs 14.4 per cent, they do not pay me for the 0.4. When it is carried out by figures, it amounts to 8 pounds of sugar that they take from me. You will notice all along through here that it only breaks—there is a load which runs 18.4 [indicating]. They got 8 pounds of sugar per ton off me. Here it is 16.6. They paid me for but 16.5, and there is 0.1 over there. So they get 2 pounds from me there. Here it is 17.8. They pay me for 17.5, but they take 6 pounds from me there.

Senator VARDAMAN. I think the purpose of that is to make it long sweetening.

Mr. JONES. No doubt. Here is 14.9. So there they take 8 pounds of sugar from me. In other words, on 206 tons of beets—I have approximated this—they have taken from me $59.63 in money.

On the sugar that they get out of northeastern Colorado they approximately take close to a million dollars from the farmer.

The CHAIRMAN. On those fractions?

Mr. JONES. Yes, sir; and one of the grievances we want to call Mr. Hoover's attention to is to make this break even on a tenth of a per cent. Here, between 12 and 14 per cent, if they go up to 13.7 per cent, there is 40 pounds of sugar they get in one lump that they do not pay anything at all for.

The CHAIRMAN. This does not mean much in the record except the general conclusion. As a matter of fact, in the way they figure on these fractions, where you get above——

Mr. JONES. Where we get above the break they take advantage of the fraction clear up until you get to the complete number.

The CHAIRMAN. And then they pay at that point?

Mr. JONES. Yes.

The CHAIRMAN. And you say that amounts to how much?

Mr. JONES. Close to $1,000,000.

The CHAIRMAN. On how much?

Mr. JONES. Two hundred tons of sugar—800 tons of beets.

Senator VARDAMAN. Can you recall the amount of capital invested in the mills that manufacture that product?

Mr. JONES. I can in a way. At the time that mill was built at Fort Morgan they fell down on getting their acreage. I went out and completed that acreage. We had to get so many acres; that is, we thought we had.

Senator VARDAMAN. The thing I want to get at is what amount is invested in the mills that take this lagnappe of a million dollars?

Mr. JONES. I understand. I was leading up to that in the way in which it impressed itself on my mind. It was $550,000 that the mill at Fort Morgan cost and a similar amount for the mill at Rush, and on last year's crop, having the sugar move at $8.40, in those two mills, with an original investment of $1,100,000, there was a profit of over $4,000,000 in that county.

Senator VARDAMAN. They made almost the cost of their mill in this little piece of——

Mr. JONES. Flimflam.

Senator VARDAMAN. Well, you might call it that.

The CHAIRMAN. Will you get up this one sheet that you have introduced here—the statement of your own crop—and carry out the amount that was taken away from you on this fractional method of counting?

Mr. JONES. Yes.

The CHAIRMAN. And indicate it in parallel columns with an appropriate heading?

Mr. JONES. Yes.

The CHAIRMAN. So that we can have a graphic description on the record?

Mr. JONES. Yes.

(The paper referred to was marked "Exhibit No. 121," and is here printed in full, as follows:)

EXHIBIT No. 121.

Grower's delivery record, factory Longmont, month of October, 1917.

Date.	Number of loads.	First net weight.	Tare.		Final net weight.	Sugar content.	Distribution of final net weight (pounds).											
							14.5 and under 15 per cent. $6.25.	15 and under 15.5 per cent. $6.50.	15.5 and under 16 per cent. $6.625.	16 and under 16.5 per cent. $6.75.	16.5 and under 17 per cent. $6.875.	17 and under 17.5 per cent. $7.00.	17.5 and under 18 per cent. $7.125.	18 and under 18.5 per cent. $7.25.	18.5 and under 19 per cent. $7.375.	19 and under 19.5 per cent. $7.50.	19.5 and under 20 per cent. $7.625.	
			Per ct.	*Pounds.*	*Pounds.*	*Per ct.*	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*	*Pounds.*	
1																		
2																		
3	2	7,225	2	145	7,080	18.4								7,080				$2.08
4	5	21,125	2.5	528	20,597	16.4				20,597								5.973
5	3	13,925	3	418	13,507	16.6					13,507							.978
6	5	22,240	2.5	556	21,684	17.8							21,684					4.716
7																		
8	4	18,935	2.5	473	18,462	14.9	18,462											5.35
9	4	19,240	2	385	18,855	18.7									18,855			2.74
10	5	22,475	2	450	22,025	19.1										22,025		1.648
11	4	19,485	2.5	487	18,998	18.1								18,998				1.367
12	4	18,320	2.5	458	17,862	18.5									17,862			
13	4	17,365	3	521	16,844	18.5									16,844			
14																		
15	4	17,240	2	345	16,895	19.6											16,895	1.221
16	5	20,610	3	618	19,992	17.0						19,992						
17	6	29,630	3.5	1,037	28,593	17.2						28,593						4.045
18	1	4,335	2	87	4,248	15.1		4,248										.307
19	3	16,155	2.5	404	15,751	15.3		15,751										3.425
20	5	28,380	5.5	1,561	26,819	17.5							26,819					
21																		
22	5	24,390	2.5	610	23,780	16.9					23,780							6.896
23	5	24,595	4	984	23,611	15.8			23,611									5.135
24	6	29,405	4	1,176	28,229	15.4		28,229										8.185
25	5	23,890	2.5	597	23,293	18.0								23,293				
26	3	15,230	3	457	14,773	16.3				14,773								3.213
27	2	8,280	2.5	207	8,073	17.6							8,073					.575
28																		
29																		
30	1	4,065	3	122	3,943	17.5							3,943					
31																		
		426,540		12,626	413,914		18,462	48,228	23,611	35,370	37,287	48,585	60,519	49,371	53,561	22,025	16,895	57.797

NOTE.—Figures at extreme right of this sheet show amount of money I was deprived of each day beets were delivered. The total being $57.79.

RECAPITULATION OF NET WEIGHTS.

Pounds.	Price per ton.	Amount.	Pounds.	Price per ton.	Amount.
18,462	$6.25	$57.69	22,025	$7.50	$82.59
48,228	6.50	156.74	16,895	7.625	64.41
23,611	6.625	78.21	50 cents additional, 206.957 tons		103.48
35,370	6.75	119.37			
37,287	6.875	128.17			
48,585	7.00	170.04	Total (413,914 pounds)		1,552.78
60,519	7.125	215.60	Less account as entered		82.15
49,371	7.25	178.97			
53,561	7.375	197.51	Balance due		1,470.63

PENCIL NOTATIONS ON BILL.

40 acres yield 206 tons; average sugar content, 17.2; $\frac{2}{10}$ of 1 per cent= 4 pounds sugar to the ton of beets; 206 tons×4=824 pounds sugar; 824 pounds sugar, @ $7.25=$59.74; $59.74=amount Great Western Sugar Co. legally took away from me. No; I did not say stole. A just contract on sliding scale should consider every one-tenth of 1 per cent. Thousands of dollars are thus unjustly acquired, which rightfully belong to grower.

The CHAIRMAN. What will happen if the price of beets is not raised above that proposed to be given?

Mr. JONES. The beet acreage in Morgan County, I think, will fall off a flush 70 per cent.

The CHAIRMAN. You say you are here with other gentlemen representing practically all of the beet-sugar production of the United States. What would happen to all that beet acreage throughout the country, according to the best information you have been able to get as one of the officials of that organization?

Mr. JONES. I think I am conservative in stating that there will be a falling off of 65 per cent.

The CHAIRMAN. If prices are not materially raised above those proposed?

Mr. JONES. Yes.

TESTIMONY OF C. G. PATTERSON.

(The witness was sworn by the chairman.)

The CHAIRMAN. Where do you live and what is your business?

Mr. PATTERSON. I live in Salt Lake City and I am an attorney at law.

The CHAIRMAN. What is your connection with the sugar business?

Mr. PATTERSON. I represent the Intermountain Association of Sugar Beet Growers of Utah and Idaho.

The CHAIRMAN. How much acreage of Utah and Idaho does that cover?

Mr. PATTERSON. It represents practically all of the acreage. The association has been recently incorporated, but it represents the sentiment of practically 90 per cent of the growers in Utah and Idaho.

The CHAIRMAN. What is the acreage in those two States?

Mr. PATTERSON. I can give you a list only from one company—that is, the authentic figures. The Utah-Idaho Co. last year had planted in that territory 8,265 acres of beets. Those are the exact figures. Then there is the Amalgamated Co., in addition to the

Utah-Idaho Co., operating not quite so many factories, covering a large territory, but I have not got authentic figures for that.

The CHAIRMAN. Can you give us a close approximation? That is all I want.

Mr. PATTERSON. Approximating, I would say there are probably 125.000 to 140,000 acres of beets in that territory.

The CHAIRMAN. And you speak for 90 per cent of the growers of that crop?

Mr. PATTERSON. I think I would be safe in saying that.

The CHAIRMAN. Are these beet men that you speak for large or small holders?

Mr. PATTERSON. Usually small holders.

The CHAIRMAN. Proprietors or tenants?

Mr. PATTERSON. Proprietors, largely. There are very few tenants.

The CHAIRMAN. What is the character of labor employed there?

Mr. PATTERSON. Largely the farmer employs his own help.

The CHAIRMAN. What is it, native American or what?

Mr. PATTERSON. Outside of a few Japanese, and they are only a very small percentage of the labor performed there, the balance of the labor is by the farmers and their families.

The CHAIRMAN. What was the price that beets commanded in this territory during the last three or four or five years?

Mr. PATTERSON. Last year the price was $5 per ton.

The CHAIRMAN. Of what sugar content?

Mr. PATTERSON. Always a flat rate. We have always raised beets on a flat-rate contract.

The CHAIRMAN. Without regard to the amount of saccharine matter?

Mr. PATTERSON. In this way. The sugar company has based its contract on a 15 per cent beet. They have always scaled down for failure to reach that, but never have gone up. I have their prices here this year.

The CHAIRMAN. What are the names of these companies?

Mr. PATTERSON. The Utah-Idaho Sugar Co. is the largest company in that territory. It is operating, I think, this year 15 factories, but I am not certain as to that. It operated 12 factories last year. The Amalgamated is the next largest company, and then there are certain so-called independent companies operating there; that is, the people were led to believe that they were independent, but certain information has come to us to show that they are not independent, but they are owned by the other companies.

The CHAIRMAN. Can you give me the names of these companies?

Mr. PATTERSON. There is the Layton Sugar Co. That was one of the first of the so-called independent companies that was established. We have been informed that the Utah-Idaho Co. subscribed to $200,000 of the capital stock of that company. Certain other independent companies are being established, especially the Peoples Sugar Co., at Moroni, Sanpete County, Utah. From the people who are connected with that we have our suspicions, of course, as to who is back of it.

The CHAIRMAN. Who is connected with it? What do you base this on?

Mr. PATTERSON. The people who are connected with it have had past connections with the Utah-Idaho Co., and we know from that.

The CHAIRMAN. As a matter of fact, do they all maintain substantially the same price?

Mr. PATTERSON. Yes.

The CHAIRMAN. So that as a matter of fact the farmer has only one market in which to sell his beets.

Mr. PATTERSON. That is correct.

The CHAIRMAN. If he does not like one factory's price he can not do any better at the other?

Mr. PATTERSON. Not at all.

The CHAIRMAN. Whether there is a combination there is a concert of action?

Mr. PATTERSON. Positively so.

Senator JONES. There is necessarily a practical monopoly in each locality, is there not? The beets are tributary to only one factory, as a rule?

Mr. PATTERSON. That is true.

The CHAIRMAN. That is true, but each factory and each territory happens to have the same prices.

Mr. PATTERSON. They have divided the territory. That was brought out by testimony heretofore taken. We know that they have divided the territory that is available. We know that as a matter of record.

The CHAIRMAN. I am asking you for the prices they have paid for beets in past years.

Mr. PATTERSON. Their contract last year called for $5. The farmers signed up for that. There were certain exposures made in regard to the methods of the company on the 8th of June of last year. That is, they were published in a circular upon that date.

The CHAIRMAN. "Certain exposures" is somewhat indefinite.

Mr. PATTERSON. Certain exposures of their past methods, and the policy they had pursued. Twenty-nine days after the announcement of that, after the publication on the 8th of June, they announced a bonus of 50 cents a ton. Without any apparent reason they announced this bonus of 50 cents per ton, and they paid $5.50 per ton. This year they paid $7 per ton.

The CHAIRMAN. That is in the contract now for the crop that is harvested?

Mr. PATTERSON. They paid $7 per ton this year.

The CHAIRMAN. How did they come to make that raise?

Mr. PATTERSON. I attribute it largely to the agitation that was brought about through the exposures that were made.

The CHAIRMAN. What were those exposures? What was their nature?

Mr. PATTERSON. The first exposure was that which was circulated on the 8th of June, being a little pamphlet containing certain excerpts from the hearings in the case of the United States against the American Sugar Refining Co. and others, an action commenced in the southern Federal district of New York. The trial occurred on the 14th of May, 1912. That testimony fell into the hands of some of us and we published some things that had not been known among our people. Of course, that exposure started some of the people to talking, and they were dissatisfied. The people were aroused to the fact that they were not making any money growing sugar beets, and

then this bonus of 50 cents a ton was given, we think as hush money.

The CHAIRMAN. You got that 50 cents ton? I am more interested in this question. At the price paid for last year's crop, will the farmers continue to raise beets, or will they discontinue?

Mr. PATTERSON. They will discontinue.

The CHAIRMAN. Why?

Mr. PATTERSON. I can give you my own experience. I have visited every beet-growing section of the State of Utah north of Provo—that is, in the counties that produce sugar beets. They are Sevier, Sanpete, Utah, Salt Lake, Davis, Box Elder, and Cache. The larger percentage of the beet crop is produced in Utah, Salt Lake, Box Elder, and Cache Counties. There is one factory in Sanpete County operating this year for the first time, a factory in Sevier County that has operated about three years—a small factory. They raised beets in Millard County this year, also, and they are operating a so-called independent factory there; but I have gone personally over the territory, north to the State line and into Idaho, and I have visited the farmers at their dumps, met them in meetings, and have spoken with them at their homes. I have talked to hundreds of them, and I know from personal knowledge just exactly how they feel.

The CHAIRMAN. What is the result of your observations? I shall have to ask you to come right to the point.

Mr. PATTERSON. They will not raise beets at the price that they have been paid this year. They will not raise beets at the prices fixed for next year.

The CHAIRMAN. Why—out of stubbornness?

Mr. PATTERSON. No; they can not afford it.

The CHAIRMAN. Or because something else pays better?

Mr. PATTERSON. Other crops will pay better. They are losing under present conditions. They have been losing for many years in growing sugar beets, suffering actual loss. Having small acreages and there being a multitude of small farmers, these losses have not been so perceptible. They have had other crops from which they have been able to recoup themselves, and they have not been taking close stock of the sugar situation. I have here certain signed statements as to the cost of producing sugar beets that I would like to leave with the committee. that were hurriedly gathered.

(The witness produced papers, which were marked "Exhibits Nos. 122 to 129." "Exhibits Patterson 1 to 8," inclusive, which are as follows:)

EXHIBIT No. 122 (PATTERSON 1).

Cost of growing beets in Garland district:

Preparing ground for planting	$10.00
Seeding	2.75
Thinning acreage ($7 to $12 was paid)	9.00
Cultivating and pruning	3.00
Retting $4, hoeing $4, weeding $3	11.00
Irrigating	3.00
Planting beets	4.00
Topping	12.50
Loading	2.50
Hauling (85 cents to $1.25), $1.10	11.00
Upkeep farms	1.00
Upkeep lateral canals	1.50
Taxes (land $1.50, water $1)	2.50

Cost of growing beets in Garland district—Continued.

Fertilizer	$4.00
Interest and insurance (value $200)	15.00
Depreciation (value $200)	20.00
Average production 10 tons, per ton $11.27	112.75

WM. M. MILLER,
Tumonter, Box Elder County, Utah.

DECEMBER 15, 1917.

EXHIBIT No. 123.

DECEMBER 17, 1917.

Mr. F. A. RUNDQUIST, *Midvale, Utah.*

DEAR SIR: I am giving you herewith costs of producing sugar beets on the Winchester Experimental Farm during the years 1915, 1916, and 1917. There have been produced 44.51 acres at a cost of $3,363.30, or $75.56 per acre. There was a marked difference between cost of production of 17.72 acres in 1915 as against 7.70 acres in 1916, the smaller acreage increasing the cost of production very materially. In 1917, $3 per day was paid for labor as against $2.25 in 1915 and 1916.

In listing items there are included all charges, which, in my opinion, should be made against the sugar beets.

Very respectfully,

EDGAR M. LEDYARD,
Director, Agricultural Department.

Utah-Idaho Sugar Co., West Jordan, Utah; State Farm Bureau, Logan, Utah; Food Administration, Salt Lake City, Utah.

EXHIBIT No. 124.

[Joseph Smith, granger.]

Cost of raising an acre of sugar beets for 1917:

Plowing, 10 days	$6.00
Harrowing, leveling, preparing seed bed	2.50
Cultivating four times	2.00
Irrigating three times	1.50
Taxes	1.47
Water assessments	1.00
Depreciation on machinery	3.11
Interest on money invested in machinery	1.87
Fertilizer, 8 tons per acre, $3 per ton	24.00
Interest on money invested in land	18.00
Thinning, hoeing, weeding, pulling, topping, and loading	22 00
Plowing beets out	3.00
Hauling beets to the dumps, 1½ miles, 75 cents per ton, 12-ton crop	9.00
Total	95.45
Money invested in machinery	31.13
Money invested in land	300.00

EXHIBIT No. 125.

Rent of land	$20.00
Plowing	4.00
Harrowing two times	1.00
Leveling two times	1.00
Seed and planting	2.75
Cultivating four times	2.00
Hand hoeing and weeding three times	9.00
Plowing	2.50
Topping and loading, 12-ton crop	12 00
Hauling	5.00
Total	58.85

Manure, 6 loads	$6.00
Hauling and spreading	6.00
Irrigation, six times	1.80
Total	73.65
Thinning	7.00
Total	80.65

A. F. RUNDQUIST,
West Jordan, Utah.

Estimate based on a 12-ton crop.

EXHIBIT No. 126.

[Granger S. L. Co.]

DECEMBER 16, 1917.

Cost of entering into the raising of 1 acre of sugar beets:

Value of land, per acre	$300.00
Interest at 7 per cent	21.00
Plowing	7.00
Harrowing five times, at 80 cents per acre	2.50
Leveling twice, at 70 cents per acre	1.40
Rolling once	.60
Planting	2.75
Cultivating five times, at 60 cents per acre	3.00
Thinning	12.00
Hoeing	8.00
Topping	12.00
Pulling	6.00
Hauling	.75
Fertilizing	10.00
Irrigation five times	5.00
	92.00

THOMAS B. BARTON.
Per ———.

EXHIBIT No. 127.

[Granger S. L. Co.]

DECEMBER 15, 1917.

Cost of raising 1 acre of sugar beets based on a 12-ton crop:

Interest on land at $250 per acre at 6 per cent	$15.00
Interest on machinery	9.00
Depreciation on machinery	7.50
Water assessments	1.50
Taxes	1.50
Fertilizing	10.00
Plowing	3.00
Harrowing, etc	1.50
Seeding and planting	2.75
Cultivating and furrowing, five times	3.75
Thinning, hoeing, and topping	22.50
Irrigation three times	1.80
Pulling	6.00
Loading and hauling	7.20
	95.00

A. E. SOLOMON.
WYLIE SOLOMON.

EXHIBIT No. 128.

[Granger S. L. Co.]

DECEMBER 16, 1917.

Cost of entering into the production of 1 acre of sugar beets:

Value of land per acre	$300.00
Interest at 7 per cent	21.00
Plowing 10 inches deep	5.00
Harrowing three times, at 60 cents per acre	1.80
Leveling twice, at 60 cents per acre	1.20
Seed and seeding	2.75
Thinning	9.00
Cultivating five times, 70 cents per acre	3.50
Hoeing	12.00
Irrigation six times, 50 cents per acre	3.00
Pulling	6.00
Topping	12.00
Loading	4.00
Hauling	6.00
Fertilizer	16.00
	103.25
Interest at 7 per cent and 10 per cent depreciation on $300 equipment	51.00

N. P. PETERSEN.

EXHIBIT No. 129.

[Granger S. L. Co.]

DECEMBER 16, 1917

Cost of raising 1 acre of sugar beets:

Interest on land at $300 per acre at 7 per cent	$21.00
Plowing	4.00
Preparing seed bed	2.00
Planting	2.75
Cultivation	3.00
Thinning	8.00
Irrigation	3.00
Weeding	2.00
Hauling	12.00
Pulling and topping	15.00
Fertilizing	15.00
	66.75

The CHAIRMAN. What percentage of the sugar acreage will come out of the crop if the prices for next year are adhered to?

Mr. PATTERSON. Svenety-five per cent.

The CHAIRMAN. How much of a raise have you got to have in order to keep the farmers raising beets?

Mr. PATTERSON. I do not believe they will raise beets for less than $10 a ton. In fact, there have been a number of mass meetings held by isolated bodies of farmers, and at these mass meetings there have been resolutions passed demanding $10 per ton, very largely.

The CHAIRMAN. Do you know anything more about the profits of these beet factories than you have told us?

Mr. PATTERSON. Yes; quite a lot.

The CHAIRMAN. Before we come to that, have you any contracts for your section of the country?

Mr. PATTERSON. I have.

The CHAIRMAN. Will you leave us those copies?

Mr. PATTERSON. I presume I can get them. It is a very difficult thing to get these things from the sugar companies. On account of the agitation this year they have offered us the option of two contracts.

The CHAIRMAN. This is the first time they have offered you that option?

Mr. PATTERSON. Yes.

The CHAIRMAN. Tell us what the old contract was?

Mr. PATTERSON. It was a flat-rate contract, based on a 15 per cent sugar-content beet. As I say, it was scaled down in the company's favor, but never upward in the farmer's favor. This year they have given the farmer the option of a flat rate, using still the 15 per cent beet as a basis, giving the farmer the option of a flat rate of $7 per ton. with a share in the profits of the business above a price of $5.50 per bag for sugar, allowing the company to deduct $5.50 per bag of 100 pounds of sugar, and they then will guarantee the farmer $7 per ton on a 15 per cent beet and divide with him one-half of the profit realized above $5.50 per bag.

The CHAIRMAN. What is the matter with that? Does the $5.50 price take out a lot of profit? What is the cost of getting this sugar up?

Mr. PATTERSON. Last year the average cost for the Utah-Idaho Sugar Co. in all of its 12 factories was $3.7861 per bag of sugar. counting in every item of expense, including everything.

Senator JONES. Including what they paid for the beets?

Mr. PATTERSON. Including the cost of the beets, including 20 cents depreciation charged off per bag of sugar on the plants, including taxes and insurance, every drop of oil, every lump of coal, every minute of labor, every possible charge, including certain losses they suffered on their agricultural operations, including losses suffered through frozen beets.

The CHAIRMAN. Including overhead?

Mr. PATTERSON. Including overhead. Taking that out, the cost was $3.7861 per bag of sugar.

The CHAIRMAN. So when they offered to divide the profits above $5.50 they offered to divide profits after they have already taken off how much of profit per hundred pounds?

Mr. PATTERSON. That is a matter of calculation. I have not calculated it.

The CHAIRMAN. $1.7930 a hundred, is it not?

Mr. PATTERSON. I would like to say this that by far the largest item of expense to the sugar company is the cost of the beet. The cost of beets this year being greater than last year, of course it will cut down their profits. Last year, if I have not made any mistake in my calculation, they made a net profit—and when I say net I mean net—of $9.24 cents per ton, and they paid the farmer $5.50.

The CHAIRMAN. If they would pay this increased cost that they propose to pay now, would it bring the cost up to $5—$5.50—that is the point where they talk about dividing with the farmer?

Mr. PATTERSON. I am unable to say, but I will say this, that they have had certain contracts with the coal operators in our country, exceedingly favorable contracts, but how long those contracts run I do not know. Labor costs a little more. Still they have always.

paid less for labor than other concerns, as they have paid less for beets.

The CHAIRMAN. Let me have those contracts now.

Mr. PATTERSON. You will notice that these contracts scale down from 15 per cent, but never scale up.

The CHAIRMAN. Which of those are the old contracts?

Mr. PATTERSON. Both of those contracts are for this year.

The CHAIRMAN. Oh, yes.

Mr. PATTERSON. I will say, also, that it has developed that for a period of years—now, those are contracts for Idaho—for some years they have had one contract for Utah and paid one price in Utah and another price in Idaho. There has been a difference of 25 to 50 cents a ton some years between Utah and Idaho.

The CHAIRMAN. By the same company?

Mr. PATTERSON. By the same company.

The CHAIRMAN. Was there a difference in the beets?

Mr. PATTERSON. I think not.

The CHAIRMAN. Is there anything else you want to talk about?

Mr. PATTERSON. I would like here to introduce and leave with this committee copies of correspondence had with our Federal food administrator for Utah, W. W. Armstrong, a letter to him and a reply concerning conditions; also a copy of a letter and a telegram from Mr. Hoover. I will get those together and would like to leave them with the committee.

The CHAIRMAN. All the correspondence you have had with Hoover or any of the Federal food control will be admitted. Now, is that all, sir?

Mr. PATTERSON. There are certain other things that I would like to go into concerning the methods of the company.

The CHAIRMAN. We are trying to make it as brief as possible.

Mr. PATTERSON. I realize that.

The CHAIRMAN. You say you have something else as to their methods?

Mr. PATTERSON. As to the methods that the company has used there to keep the farmers in subjection. They have appealed, of course, and used Mr. Hoover's name, as has been brought out here, to keep the farmers in subjection, and have used the newspapers and circulars.

The CHAIRMAN. You say they have made use of circulars?

Mr. PATTERSON. Newspapers, and some circular letters I have here that they have sent out.

The CHAIRMAN. Have you those letters?

Mr. PATTERSON. I have a copy of one of them here in this little folder, of which I might leave you a copy.

The CHAIRMAN. Let me see that.

Senator JONES. That was all used for the purpose of securing greater production of beets?

Mr. PATTERSON. That is it; to induce the farmer to continue to raise beets. Now, our farmers stand in this position: That they are ready, if the Government needs sugar—which they know it does—if they are called upon to make sacrifices, they are ready to make these sacrifices for the Government. If they have to raise sugar beets at less in order to produce sugar in order to prosecute the war, our farmers, in addition to giving their sons for service at the front, will give

their help at home to maintain those sons, even though they must produce sugar at a loss; but they object positively to being called upon to make sacrifices for the benefit of these corporations there that have exploited them for years and years.

The CHAIRMAN. The letter that you spoke about is in this circular, and this circular is also an analysis of this letter and of the statements that are made?

Mr. PATTERSON. That circular, I may say, contains figures that I know to be accurate concerning the last year's basis.

The CHAIRMAN. There is a letter from Mr. Hoover here, you say?

Mr. PATTERSON. I will get that and see that it gets to you.

Senator REED. Let this be filed as an exhibit.

The CHAIRMAN. Have you that correspondence here?

Mr. PATTERSON. Yes. I have not got it all here.

The CHAIRMAN. Will you give it to the reporter to-night, before you leave?

Mr. PATTERSON. I will give it to him this afternoon.

(The contracts referred to were marked, respectively, Exhibit No. 130 and Exhibit No. 130–a, and the circular was marked Exhibit No. 130–b, and the same are here printed in full, as follows:)

EXHIBIT No. 130.

Form–148—Idaho. Flat.
Original.
Duplicate.

No———
Acres———

UTAH-IDAHO SUGAR CO.

SUGAR BEET CONTRACT

——— IDAHO.

1918.

This agreement, in duplicate, this ——— day of ———, 191—, by and between Utah-Idaho Sugar Company, a Utah corporation, hereinafter called the Sugar Company, and ——— of ———, county of ———, Idaho, hereinafter called the Grower.

Witnesseth: The Grower agrees to grow in the year of 1918, from seed to be supplied by the Sugar Company, ——— acres of sugar beets, and to deliver and sell the entire crop therefrom to the Sugar Company, and the latter agrees to buy and pay for the same, upon all and singular the terms and conditions hereinafter set forth, to-wit:

1. The Grower will prepare and cultivate the said land and harvest the beets grown thereon in a husbandlike manner, and deliver all beets with the tops closely cut off at the base of the bottom leaf, and without mutilation or damage through the improper use of topping knives, or other instruments, and will not irrigate any part of his land that he has been ordered to harvest. The Sugar Company will furnish the seed at 25 cents per pound to the Grower, and plant same, when so requested, at the rate of 50 cents per acre.

2. Delivery of beets shall be made as directed by the Sugar Company.

3. All such beets to be delivered at the expense of the Grower in a manner and condition satisfactory to the Sugar Company, in the sheds or on cars at the ——— factory, or at the receiving station at ———.

4. The Sugar Company shall not be bound to accept diseased, frozen, damaged, and improperly topped beets, and beets which do not otherwise meet requirements hereof.

5. The weight of dirt delivered with beets shall be deducted in the customary manner, and such deductions shall be conclusive.

6. The Sugar Company, on the 15th day of each month, will pay for all beets delivered and received during the preceding calendar month in accordance with

the terms, specifications, and requirements of this contract, that shall test over 15% in sugar content, $8.50 per ton, from 14% to 14.99% inclusive, $8.25 per ton, and from 12% to 13.99% inclusive, $8.00 per ton.

7. The Growers shall have the privilege of selecting, at their expense, a man of reliable character, satisfactory to the company, to check the tares and weights of the beets grown under this contract, at the receiving stations where such beets may be delivered.

8. The Sugar Company, at its pleasure, during the growing, harvesting, and delivery of the beets, shall have the privilege and shall be accorded the opportunity, by the Grower, of sampling the beets, in order to ascertain the quality thereof, by polarization and analysis. It is agreed that the polarization and analysis by the Sugar Company shall be accepted as conclusive.

9. This agreement shall bind both the Grower and his legal representatives and the Sugar Company and its successors, and shall not be transferable by the Grower without the written consent of the Sugar Company, its successors, and assigns.

UTAH-IDAHO SUGAR COMPANY.
——— ———, *Grower.*
By ——— ———, *Agent.*
P. O. Address. ———

Witness:
——— ———.
——— ———.

EXHIBIT No. 130A.

Form 148—Idaho, P. 8
Original.
Duplicate.

No. ———
Acres ———

UTAH-IDAHO SUGAR CO.

SUGAR-BEET CONTRACT.

Profit-sharing basis.

———, IDAHO.

1918.

This agreement, in duplicate, this ——— day of ———, 191—, by and between Utah-Idaho Sugar Company, a Utah coroporation, hereinafter called the Sugar Company, and ———, of ———, county of ———, Idaho, hereinafter called the Grower.

Witnesseth: The Grower agrees to grow in the year of 1918, from seed to be supplied by the Sugar Company, ——— acres of sugar beets, and to deliver and sell the entire crop therefrom to the Sugar Company, and the latter agrees to buy and pay for the same, upon all and singular the terms and conditions hereinafter set forth, to wit:

1. The Grower will prepare and cultivate the said land and harvest the beets grown thereon in a husbandlike manner, and deliver all beets with the tops closely cut off at the base of the bottom leaf and without mutilation or damage through the improper use of topping knives or other instruments, and will not irrigate any part of his land that he has been ordered to harvest. The Sugar Company will furnish the seed at 25 cents per pound to the Grower, and plant same, when so requested, at the rate of 50 cents per acre.

2. Delivery of beets shall be made as directed by the Sugar Company.

3. All such beets to be delivered at the expense of the Grower in a manner and condition satisfactory to the Sugar Company, in the sheds or on cars at the ——— factory, or at the receiving station at ———.

4. The Sugar Company shall not be bound to accept diseased, frozen, damaged, and improperly topped beets, and beets which do not otherwise meet requirements hereof.

5. The weight of dirt delivered with beets shall be deducted in the customary manner, and such deductions shall be conclusive.

6. The Sugar Company, on the 15th day of each month, will pay for all beets delivered and received during the preceding calendar month in accordance with the terms, specifications, and requirements of this contract that shall test over 15% in sugar content, $7.00 per ton; from 14% to 14.99%, inclusive, $6.75 per ton; and from 12% to 13.99%, inclusive, $6.50 per ton. In addition to the above payments the Sugar Company will pay to the Grower his proportion of one-

half of the net amount realized from the sale of sugar manufactured from the beet crop of 1918 over and above $5.50 per 100 lbs. of sugar. This payment to be made when all of said sugar has been sold.

7. The Growers shall have the privilege of selecting, at their expense, a man of reliable character, satisfactory to the company, to check the tares and weights of the beets grown under this contract at the receiving stations where such beets may be delivered.

8. The Sugar Company, at its pleasure, during the growing, harvesting, and delivery of the beets, shall have the privilege and shall be accorded the opportunity, by the Grower, of sampling the beets, in order to ascertain the quality thereof, by polarization and analysis. It is agreed that the polarization and analysis by the Sugar Company shall be accepted as conclusive.

9. This agreement shall bind both the Grower and his legal representatives and the Sugar Company and its successors and shall not be transferable by the Grower without the written consent of the Sugar Company, its successors and assigns.

UTAH-IDAHO SUGAR COMPANY,
——— ———, *Grower.*
By ——— ———, *Agent.*
P. O. Address ———.

Witness:
——— ———.
——— ———.

———

EXHIBIT No 130B.

THE SECRETS OF THE UTAH-IDAHO SUGAR COMPANY—AN OPEN LETTER TO THE BEET GROWERS OF THE INTERMOUNTAIN REGION.

FOR LACK OF KNOWLEDGE THE PEOPLE PERISH.

[From Intermountain Association of Sugar Beet Growers, Box 136, Salt Lake City, Utah.]

SALT LAKE CITY, UTAH, *September 20, 1917.*

To you, if you are a beet grower.

DEAR SIR: The Utah-Idaho Sugar Company operated factorie at Lehi, Garland, Elsinore, Payson, Spanish Fork, West Jordan, and Brigham City, Utah: Idaho Falls, Sugar City, Blackfoot, and Nampa, Idaho; Grants Pass, Oregon.

Last year these factories produced 1,716,774 bags of sugar.

At the Lehi factory there was an average of 306.8 pounds of sugar extracted from a ton of beets.

At the Sugar City factory the average was 308 pounds per ton.

The Idaho Falls factory produced an average of 275.6 pounds per ton.

The average extraction for all the factories (operated by this company last year) was 274.98 pounds of sugar per ton of beets.

Figuring in the cost of beets delivered in the chutes at the various factories, the cost of labor, fuel, oil, chemicals, sacks, lime rock, maintenance of plants, salaries of all officers and employees, general office expenses, the assessment of the company to the beet sugar association (which is the union of the beet sugar manufacturers), taxes, insurance, depreciation on plants, losses on various farming operations and land projects, losses on beets frozen at the factory and in the fields, and every item of expense down to the last cent, the cost of making a bag of sugar by this company last year was $3.7861. This is the exact average cost for all the factories.

The company farmed 67 acres of beets at Lehi last year. It also farmed 180½ at Sugar City, and 12 acres at Elsinore. It did a lot of other farming, but these are the principal beet acreages. They cover the territory perfectly, one lot being at the north end, one at the south end, and one in the middle.

In determining its farming expense in the production of a crop of beets the following items were charged: Plowing and subsoiling, harrowing and leveling, seed and planting, thinning and hoeing, cultivating, furrowing out and irrigating, plowing out, pulling and topping, hauling, tools and implements, buildings and fences, reservoirs and ditches, harness and wagons, stable expenses, water assessments.

Nothing is said about taxes, interest on capital invested, insurance, or depreciation on land.

Taking only the items listed these are the results:

Sixty-seven acres at Lehi. Total disbursements, $3,670.30. Total receipts from beets credited at $6.30 per ton, $1,731.17. Net loss, $1,939.13.

One hundred and eighty and one-half acres at Sugar City. Total disbursements, $17,634.41. Total receipts, $9,730.93. Net loss. $7.903.48.

Twelve acres at Elsinore. Total expenditure, $756.40. Total receipts $772.11. Net profit. $15.71.

There were 7,097 farmers engaged in growing beets for this company last year.

These farmers planted 81,265 acres to beets. (Several thousand of these acres were abandoned or frozen before harvest.)

For the acres harvested the average number of tons per acre was 9.91.

For the acres planted the average per acre is 8.56 tons.

The company sold the 1,716,774 bags of sugar it made last year for $12,934,913.23.

To produce this sugar the company paid out on its beet account the sum of $4,699,165.88.

The operating expenses at all its factories were $1,211,777.98.

The maintenance charges at all factories were $496,297.44.

Officers' salaries, expense of head office, etc., was $285,078.30.

It paid insurance in the sum of $12,942.70.

It paid an income tax of $122,695.00.

It paid general taxes in the sum of $98,718.83.

It charged off for depreciation on its plants $343,354.80.

The syrup and pulp from its factories was worth last year $386,333.52.

It received as interest from various sources $125,543.70.

Its revenue from miscellaneous sources was $317,338.07.

The exact total cost of the production of last season's sugar crop for this company was $6,435,084.03.

On every farmer who grew beets for it last year the Utah-Idaho Company made an average net profit of $830.05.

Its average net profit on each acre planted to beets was $79.18.

On each ton of beets harvested the company made a net profit of $9.24.

Those are the facts. No estimates. No approximations. No guesses.

We expect the company to deny them, but we challenge a production of their books to disprove them.

Here is a copy of a letter sent out by this company about a month ago. You are asked to study it carefully.

UTAH-IDAHO SUGAR CO.

[Jos. F. Smith, president; Thos. R. Cutler, vice president; H. G. Whitney, secretary and treasurer; W. T. Pyper, assistant secretary and treasurer; C. W. Nibley, general manager; Merrill Nibley, assistant general manager.]

SALT LAKE CITY, UTAH, *August 15, 1917.*

To the farmers and beet growers of the Utah-Idaho Sugar Company's territory.

GENTLEMEN: At the meeting of the board of directors of the Utah-Idaho Sugar Company held August 15, 1917, it was unanimously decided to pay the following prices for beets for the year 1918:

The sugar company will guarantee a minimum price of $7.00 per ton as per basis of last year's contract, which will be paid on the 15th day of each month for all beets delivered during the previous calendar month, as usual. In addition to this guaranteed price of $7.00 per ton the sugar company, after marketing its sugar in the best markets at the highest prices, will take as its profit $1.00 per bag, the farmer already having received about an equal amount as his profit in the price of $7.00 per ton; this is based on an average 12-ton crop, which costs about $54.00 per acre to produce (or $4.50 per ton) leaving a profit of $2.50 per ton. As there are approximately 250 pounds of sugar extracted from a ton of beets, this division of profit would be substantially equal as between the farmers and the company.

In addition to the above, the sugar company will pay the farmer one-half of all profit over and above the $1.00 per bag profit before mentioned.

Estimating the cost per bag at $4.50 and the selling price at $7.00, and after the sugar company's profit of $1.00 has been deducted there would remain $1.50 per bag to be divided equally between the farmer and the company. As there are about 2¼ bags of sugar extracted from each ton of beets, this would mean an

additional payment to the farmers of 2½ times 75c, or $1.87½, which would be added to the farmer's guaranteed price of $7.00 per ton, making a price of $8.87½ per ton which he would receive for his beets. If sugar should go still higher in price, the farmer will, of course, receive a proportionately higher price for his beets.

The farmer will realize that the larger the tonnage, the less cost per ton of production; hence, his profits will be greater.

The sentiment expressed by the directors is that this is the fairest contract that could be offered for sugar beets and that the farmers will no doubt accept it as a cooperative mutual profit-sharing proposition and enter into the growing of sugar beets on a larger scale and with a greater determination to produce a larger tonnage per acre, which will give the factories a full capacity run, thereby reducing the cost of the manufacturing of sugar and increasing the profits per bag of sugar, because it will readily be seen that a factory that has a full run will make sugar cheaper than one that has only a partial run.

Wishing you success, we are, yours, very truly,

UTAH-IDAHO SUGAR COMPANY,
C. W. NIBLEY, *General Manager.*

Note the assertion that it costs $4.50 to produce a ton of beets. Now turn back and study the company's figures on three of its beet-raising ventures last year. Then, you older men, think with what a flourish of trumpets the company announced several years ago that it was not going to compete with the farmers in raising beets any more. Can you see why?

Can you figure out why General Manager Nibley says that there is approximately 250 pounds of sugar in a ton of beets? Do you think he doesn't know?

Have you any idea why he said "estimating the cost per bag at $4.50"? Is it possible he doesn't know? Do you think that the company's system of bookkeeping is so slack as to leave such matters in doubt?

Is it conceivable that the board of directors of this great concern is so little interested in the millions that it is grinding out for them that they fail to pry into its innermost secrets?

Here are the men; nobody has ever charged them with being weak-minded or careless: Joseph F. Smith, Thomas R. Cutler, Heber J. Grant, Wm. H Wattis, John C. Cutler, George Romney, W. S. McCornick, C. W. Nibley, James D. Murdoch.

Did these men know the things that are estimated and approximated for you in this letter?

Sugar factories have been in operation here for over a quarter of a century. How much have you been told of the business in all this time?

You have taken the word of these same men on everything connected with the sugar business, haven't you? They have never asked your advice or even for a suggestion from your concerning the contracts you signed with them. Did they?

Have they fooled you in the past? Are they trying to fool you in this letter?

The clear money they made last year, if counted out in silver dollars, would load over a hundred wagons with two tons of coin each. Did you have any clear money from your beet crop last year? Will you have any this year? Have you ever had any?

Do you read the papers? Have you seen how the sugar men have been courting the Government since the war started? Did you know that the beet-sugar men had an organization through which they all worked together? It is called the beet-sugar association.

The Utah-Idaho Company paid an assessment to this association last year of $1,749.29.

It will probably be more this year for they have hung on to Food Administrator Hoover's coat tails pretty nearly continuously since his appointment. They have been months driving a bargain with him.

Has anyone taken your case to Mr. Hoover? Have you arranged to have anyone plead your cause for you? Have you any system or plan by or through which you can work with your fellow beet growers?

You are in a pretty bad fix, are you not? A hundred influences and interests are planning and plotting and scheming to rob you out of what you produce and you are taking no steps to protect yourself. Do you think that you are smart enough to hold your own against all these fellows who make their living by scheming?

These schemers control practically all our newspapers. They allow only such things as are favorable to them to be printed.

We have tried to secure space in some of the Utah papers to tell your side of this story. These papers have refused to even sell us space.

The manager of the most widely circulated paper in Utah, when we asked him to publish the figures given in this letter said, "It is contrary to the policy of this paper. We are not fighting business."

All the papers like to print things that are favorable to the sugar company. The company pays them to do it. It spent $15,716.86 in advertising last year. The papers got it. Most of them got something every month from the company.

The company owns stock in the Beet Sugar Gazette. The business of this paper is to protect the beet sugar manufacturers.

The Utah-Idaho Company received a dividend of $30.00 last year from the stock it owns in the Beet Sugar Gazette.

Do you think the sugar companies in these parts have been fair and honest with you during the past twenty years?

Don't you think you ought to have a fairer division of the great wealth that is coming out of the sugar business?

Suppose that you got half of the clear money that was made in this business. (We mean your proportionate half.) That would mean $12.00 to $15.00 per ton for beets.

You could lift the mortgage from the farm if your beets were worth that much.

You could pay taxes to build fine schoolhouses, to have roads, to build libraries, and carry on public works.

You could send your boys and girls to college, could build a commodious home, could have pure-bred cattle and modern machinery on the farm, could have an automobile and a little leisure to visit your neighbor.

You could leave your boys and girls a heritage that would mean freedom, growth, happiness if you got your half of the clear money that comes from the beet-sugar business.

The Intermountain Association of Sugar-Beet Growers has been organized to get this half for you. It will publish a paper which will tell your side of the story. It will educate you.

You are now asked to join this association and help yourself as the Utah-Idaho Sugar Company joined the beet-sugar association to help itself.

The sugar men have no right to complain at you for doing the things they do.

They ought not to object to your organization asking Hoover to fix a fair price for the beets you raise when they have been so insistent with him to fix a fair price for the sugar they make from your beets.

But they will object. They are like a spoiled child with a bag of candy. They will hate like sixty to divide. The bump of selfishness and avariciousness can develop to a pretty big thing in twenty-five years.

Come into the organization. Join your fellow beet farmers in securing justice. Don't be afraid to stand up for the right. Never be ashamed of the square deal.

If the solicitor of the association fails to see you right away, write a line to box 136, Salt Lake City, Utah, and you will be told what to do.

This organization is not unpatriotic. It has no animosity toward the sugar company. It does not want to destroy the business. It does want to build the greatest sugar business in the world right here at home. Its only purpose is to see the farmer prosper along with the sugar companies.

It will take such steps as are necessary to secure that end. It is the business of this organization to secure justice for the men who grow beets just as it is the business of the sugar company to make and sell sugar.

It is a real business organization you are asked to join. Your dividends here will be greater than in any business in which you ever engaged before.

This organization is not fighting business. It is trying to build a bigger, more Christian business. It thinks the biggest, most important business in the world is to establish justice between the beet farmer and the sugar company.

You are a live beet farmer. We need you but you need us the worst.

Most sincerely,

INTERMOUNTAIN ASSOCIATION OF SUGAR BEET GROWERS.
N. P. PETERSEN,
JOSEPH SMITH,
A. F. RUNDQUIST,
Executive Committee.

The CHAIRMAN. Can you say anything else that you think is so interesting that we ought to hear it, when we are hurried?

Mr. PATTERSON. I do not like to take the time of this committee. I will say, though, that the sugar company there has endeavored through the agent of the Department of Agriculture, who is out there conducting the beet-sugar investigations for the Agricultural Department—they have endeavored to and have used him and are using him as authority to force their contracts on the people and induce them to continue the raising of beets, and he claims—he has taken the credit to himself of originating this profit-sharing proposition and these contracts here. The company has hidden behind him and has claimed through the public press—I have the clippings here—that the Government is backing them up in their pretensions.

Senator KENYON. Have you his name?

Mr. PATTERSON. His name is Jones. He has been there about a year.

The CHAIRMAN. How does he approach people, through the mails or in meetings?

Mr. PATTERSON. He has been approaching them in meetings, making statements, and using the prestige of his connection with the Department of Agriculture here to gain the attention of the farmers.

The CHAIRMAN. Well, we have got to have the beets raised. Of course, there should not be any bulldozing about it.

Senator JONES. While this would not occur to some minds as being possible, I will ask you to state whether or not you or anyone else has been engaged in agitating this question of losses in the beet-sugar industry, and was it for the purpose of forcing these factories to pay more than the farmer ought to have?

Mr. PATTERSON. I did not catch you question, Senator. Will you just repeat that?

(The preceding question was read by the stenographer.)

Mr. PATTERSON. Not to my knowledge.

Senator JONES. In other words, you farmers are not taking advantage of this situation to yourselves become profiteers in this industry?

Mr. PATTERSON. Not at all. We only demand a fair share of the profits of the business. We feel that we ought to have a fair share. We are willing to bear our share of the burdens. We are willing to suffer with the sugar company, but we demand that the sugar company shall not profit at our expense in these times.

Senator JONES. What percentage of profit do you think the farmer ought to have, and what percentage have you figured on in fixing these prices?

Mr. PATTERSON. We have been agitating a profit-sharing proposition with the sugar company. They claim they want to cooperate with us. Our idea of sharing this is that we ought to establish a basic price of beets. Justice would demand that the farmer be paid first of all the cost of raising his beets. He ought to be made whole. He ought never to be asked to raise beets at a loss. Then the factory should take those beets, work them into sugar, and pay its legitimate cost of making and selling that sugar. That done, the farmer would be satisfied then to divide the profit that is left.

Senator JONES. Do you think he would be satisfied with that?

Mr. PATTERSON. I think he would. I do not know; when you say "satisfied," that is a big word. It would be more just at least.

Senator JONES. The capital invested in the land and implements and so on necessary to produce these beets for a factory is much greater than the capital invested in the factory, is it not?

Mr. PATTERSON. At least three times.

Senator JONES. At least three times?

Mr. PATTERSON. I should think so.

Senator JONES. Then you would be willing to let the factory owner get three times as much on his investment as the farmer would be willing to get?

Mr. PATTERSON. We would be willing to start out this other way. We might eventually demand more. That would be absolutely fair. But the farmers in our section have been exploited so long that if they could establish that, it would be such a long step ahead that they would feel pretty good for a few years, at least.

Senator JONES. If they are so much behind, do you not think they should have three-fourths of it and the factory only the other one-fourth, until they catch up?

Mr. PATTERSON. Justice would demand, of course, if we got down to a basic question of justice, figuring it on the basis of investment, of course; but we do not expect absolute justice from the sugar companies yet, Senator.

Senator JONES. You are seeking this justice not from the sugar companies, are you not?

Mr. PATTERSON. I do not know whom else we are seeking it from.

Senator JONES. You are not interviewing the sugar-factory people here in Washington, are you?

Mr. PATTERSON. No.

Senator JONES. Then you are seeking justice from some other source?

Mr. PATTERSON. We are appealing here to every possible avenue; that is what we are doing. We are turning on the light just as fast as we can and just as brilliant as we can.

Mr. WOOLWINE. Will you pardon me, Senator; I think this might be illuminating.

Senator JONES. Yes.

Mr. WOOLWINE. We have attempted to get a conference with the factory men this year and attempt to work this thing out, but we are not able to. Mr. Patterson was not here.

Senator JONES. Now, how do you expect to solve this problem?

Mr. PATTERSON. I might say that I had an interview this morning with Mr. Lamb—Judge Lamb—who represents the Food Administration here, and he told me—I reached town only yesterday so that I do not know; I was not acquainted with just what these gentlemen did; I met them last night and they told me what they had accomplished and I saw Judge Lamb this morning and the Judge stated—that they were ready to appoint a commission, this commission, however, having no authority to bind the companies or to bind anybody, for that matter, but being simply an investigating commission. He said he would invite the sugar companies to participate. If they did not choose to, they could not be compelled to, and if they did choose to, of course, a binding agreement could be entered into; but in case the sugar companies refused to participate, the only result of such a commission would be to authoritatively establish the cost of beet production. That would give us one step ahead, and the farmer

would then, as it were, take an inventory, take stock, and he would know where he stood. He would have an authoritative body, and then his only recourse, which he will follow and which will eventually bring the sugar company to time, will be that he will quit raising beets and go to something else.

Senator JONES. Well, does that help the country at this time?

Mr. PATTERSON. That does not help the Government; no. That is it. That is the very thing that this agitation has been started for. because the farmers in our section of the country have been exploited so long they have become so heartily disgusted that they are, you might say, in the mood to sulk. They have made up their minds that they will just quietly quit.

Senator KENYON. They believe in passing prosperity around, do they not?

Mr. PATTERSON. Yes, indeed; they would like to have a little share in it.

Senator JONES. Mr. Patterson, have you thought of any remedy for this situation?

Mr. PATTERSON. The only remedy that I know is to simply turn on the light, let it be known just what the sugar company has stood for in the past, what it stands for now, and point out where its contracts are unfair. Publicity is positively the only remedy.

Senator VARDAMAN. Your purpose is to create public sentiment that will coerce these manufacturers of sugar to do justice by the producer of the beets?

Mr. PATTERSON. That is the only remedy I see, Senator.

Senator KENYON. You believe in "pitiless publicity"?

Mr. PATTERSON. Telling the truth about it; yes, sir. If the sugar company get so ashamed of this that they can not stand it any longer they will probably do better.

Senator JONES. Do you believe that any legislation could help the matter?

Mr. PATTERSON. I doubt it. I have not looked into that phase of the question. I have not considered it thoroughly. I have not been mixed up in this fight over a great period of time, and I do not know whether it could be reached or not. In our communication to Mr. Armstrong, which will be filed with this committee, we have suggested to Mr. Armstrong that if the sugar companies will not be fair and just to the farmer, if the Government will step in and take hold of the factories, we will raise beets for the Government. They have ordered the taking over, the control and operation of coal mines, the control and operation of railroads, etc. Sugar is a necessity. If they can do one thing why could they not do another as a war measure? Under the powers of the Constitution, why could they not? And if Uncle Sam will come out there and take those sugar factories we will guarantee him the labor, the skilled help, and we will guarantee to produce beets to keep those factories running. That is what the farmers of Utah and Idaho will do, and we would like Uncle Sam to come.

Senator KENYON. He is a pretty busy uncle now.

Mr. PATTERSON. He is, indeed.

Senator KENYON. In your judgment price-fixing on sugar is going to result in a scarcity of sugar next year, is it?

Mr. PATTERSON. I would not say that, Senator.

Senator KENYON. In other words, if we are going to have plenty of sugar we have got to have higher prices?

Mr. PATTERSON. Higher prices for sugar. I think not. The Utah-Idaho Sugar Co. last year in round figures cleaned up something like $6,000,000. They sold their sugar last year at an average price of $7.53 per bag. Now, you might think I was a sugar manufacturer, but I know what I am talking about. I am willing that this shall go in the record, and I stand behind it, and I challenge the sugar company to come in here and disprove these figures. I should like to see them lay their books on the table. I know that is what their books will show. This year out in our country it is estimated that 15 per cent of the sugar manufactured in our territory is held for local consumption. They have always sold that sugar in that territory at the basic price of Missouri River plus the freight to the river and back. That has gone into the pockets of the sugar company.

Senator KENYON. Do you think they could be as patriotic if they secured less dividends?

Mr. PATTERSON. They ought to.

Senator KENYON. If the farmers are asked to take less, why should not the refiners take a little less?

Mr. PATTERSON. Precisely. We say to the refiners: "Here, divide your profit. The farmer that raises the beets is just as necessary to this business as the manufacturer who turns the raw product into sugar, and we only ask a square division, be it much or little." If it is necessary to raise sugar at a loss now, let the manufacturer be as patriotic as the farmer, and take his share of the loss. He has made millions out of the industry. We know it. I have seen it developed there from the very beginning.

Senator KENYON. The farmers are willing to raise these beets and turn them over to the Government even if they have to do it at a loss?

Mr. PATTERSON. Sure thing.

Senator KENYON. There is no sulking among the farmers on any question of patriotism?

Mr. PATTERSON. Positively not.

Senator JONES. Mr. Patterson, what do you say the price of sugar will be in that vicinity based on this 7.25 which was agreed upon here some two or three months ago—7.25 at coast points?

Mr. PATTERSON. What will the price be there?

Senator JONES. Yes; in your section of the country?

Mr. PATTERSON. It will be the price plus the freight to the coast point and back again. That is what it will be. That is what it is.

Senator JONES. Do you know how much that is?

Mr. PATTERSON. It is about—let me see; I am not sure as to this. I will give it as my best recollection; 9¼, if I remember correctly.

Senator JONES. That will be the factory price to Utah and Idaho dealers?

Mr. PATTERSON. No; that is the retail price. I do not know just what their rakeoff is—that is, what the dealers get out of it, the jobber. Of course it goes through the broker to the jobber and then to the retailer. That is 15 per cent. Last year this company shipped its sugar into 32 States. This year there will be no shipping into 32 States. Its sugar, no doubt, will be held for local consumption.

That is, it will not be shipped off into foreign territory as largely as it was last year, and our experience has been with this company that it will take advantage of these freight zones, and the freight rates will all operate in favor of the company. My guess is that this year the Utah-Idaho Sugar Co. will realize more than $7.52 per bag. That is my guess. Of course, I have good reasons to make it. I believe it is a good guess. I think when it is figured out and found out it will be the truth.

Senator JONES. On the basis of $7.52 per bag, have you figured out how much that will give to the factory company for each ton of beets, on the basis of 15 per cent sugar?

Mr. PATTERSON. I have not. I have got the figures for last year. I know what it did give last year.

Senator JONES. How much was it last year?

Mr. PATTERSON. On a ton?

Senator JONES. Yes.

Mr. PATTERSON. $9.24, net.

Senator JONES. Oh, net?

Mr. PATTERSON. Net.

Senator JONES. But the gross—how much do you allow for factory cost?

Mr. PATTERSON. I have those figures. You will find some of those figures in that little folder that has been introduced, and I have other figures. I could give them to you very largely. Unfortunately, I came away and left my notes containing this very data. I did not think about it. I came away hurriedly, and did not think about it until I had gotten well on the way.

What that cost will be this year I do not know. What I was going to say, though, is that last year their extraction was 270 odd pounds. I do not remember. That extraction is given there, though. Last year was an unfavorable year, but their average extraction is given for all the factories as 275.6 pounds of sugar for each ton of beets handled. That was their extraction. You can add $7.53 per hundred, and it is simply a matter of calculation to know exactly what the gross return was on a ton of beets.

Senator JONES. Do you happen to recollect the amount which you allowed for factory-cost expenses, etc.?

Mr. PATTERSON. I have some of these items here. The total amount paid out on the beet account of the Utah-Idaho Co. last year, including freights, including all handling—that is included in the term "beet account"—was $4,699.165.88. The exact total cost of the production of last season's sugar crop to the Utah-Idaho Co., consisting of 1,716,774 bags of sugar—the exact total cost of the production of that crop, including the cost of beets, of course, and every item that has been mentioned, all taxes and insurance, and expenses of every nature, was $6,435,084.03.

Senator JONES. Leaving a net profit of how much?

Mr. PATTERSON. Just figuring it in round numbers and approximately, $6,000,000.

Senator JONES. $6,000,000 on how much of a capitalization? I mean actual capital invested?

Mr. PATTERSON. You do not mean capitalization; you mean investment—on how much investment?

Senator JONES. Yes.

Mr. PATTERSON. Well, that would be a matter of guess. Their capitalization is $30,000,000. They raised it from $10,000,000 to $30,000,000. We know why. We think we do. But their capitalization was $10,000,000 until recently. They have recently increased it to $30,000,000. They operate 12 factories. The testimony adduced at prior hearings in which these matters have been gone into showed that prior to the war a factory could be built at a cost of approximately $1,000 per daily-ton cutting capacity. That is, for instance, a 500-ton plant would cost half a million dollars. Basing that on their tonnage, I figure that they made practically 100 per cent on their investment last year.

Senator JONES. That is, counting $1,000 investment per ton capacity?

Mr. PATTERSON. That is it; and I want to say, gentlemen, that that is what the sugar company's books will show, and I know what I talk about.

Senator JONES. How did you arrive at those figures? Where did you get the data?

Mr. PATTERSON. I would be very pleased to tell the Senator privately.

Senator JONES. All right.

Senator VARDAMAN. Are you through, Mr. Patterson?

(Mr. Patterson submitted the following communications for the record, which, by direction of the committee, are printed in the record in full at this point:)

EXHIBIT No. 131.

[Copy of Western Union telegram.]

SALT LAKE CITY, *December 13, 1917.*

Hon. H. C. HOOVER,
United States Food Administrator, Washington, D. C.:

Differences between sugar manufacturers and beet growers in Utah and Idaho will greatly curtail, if not entirely destroy, sugar production here in 1918. You have been wrongly advised as to conditions. Facts presented to Utah Food Administrator Armstrong. Particulars by mail.

INTERMOUNTAIN ASSOCIATION OF SUGAR BEET GROWERS.
N. P. PETERSEN,
JOS. SMITH,
A. F. RUNDQUIST,
Executive Committee.

EXHIBIT No. 132.

BOX 136, SALT LAKE CITY, UTAH, *December 13, 1917.*

Hon. HERBERT C. HOOVER,
United States Food Administrator, Washington, D. C.

DEAR SIR: By order of the executive committee, I inclose herewith a copy of letter which has been sent the Hon. W. W. Armstrong, Food Administrator for Utah.

This letter is self-explanatory, and we trust that it will aid the Government in arriving at a correct solution of the difficulties now confronting it in its effort to mobilize the resources needed to prosecute the war.

The troubles we are now experiencing, both at home and abroad, are the outgrowth of selfishness and greed. While fighting these forces abroad we can not tamely submit to them at home.

The beet growers represented by the Intermountain Association of Sugar Beet Growers are as patriotic as any body of men in the Nation. Their substance is at the command of their country. But they know their country stands for justice as between its citizens, hence their appeal to you as the representative of the Executive of the Nation.

For the sake of those principles of justice, honor, and democracy and civic righteousness which our Nation stands for and to the end that the principles of justice for which we are fighting may prevail at home as well as in foreign lands we appeal to you to heed this call and act favorably on the suggestions offered.

Most respectfully,

INTERMOUNTAIN ASSOCIATION OF SUGAR BEET GROWERS.
By C. G. PATTERSON, *Secretary*.

EXHIBIT No. 133.

BOX 136, SALT LAKE CITY, UTAH,
December 12, 1917.

HON. W. W. ARMSTRONG,
United States Food Administrator for Utah,
Salt Lake City, Utah.

DEAR SIR: As growers of sugar beets and as loyal citizens, desiring to sustain our Government in every way possible in this hour of trial, we deem it a duty and esteem it a privilege to present to you the real facts and conditions affecting sugar-beet production in Utah and Idaho.

Through our organization—the Intermountain Association of Sugar Beet Growers—we believe we are in closer touch with a larger number of beet growers who are scattered over a greater extent of territory than any other body of men in the State. This intimate acquaintance with existing conditions and with the sentiment of the growers qualifies us to speak with a degree of authority that will be found wanting in others.

Briefly, here are the facts:

I. The agreement purported to have been reached between the sugar companies and the beet growers at the so-called farm bureau meeting at the Hotel Utah on November 4 and 5 is not and never has been considered as binding by the beet growers. The farmers of the State are practically unanimous in condemning the undemocratic methods pursued in calling and conducting that meeting. They resent even the inference that the 14 men at that meeting were authorized to speak for them or to pledge them in any particular. Therefore when you wired Food Adiministrator Hoover that the farmers had pledged themselves to grow sugar beets in 1918 on the terms dictated to them by the sugar companies your impressions were false and your action can only lead to a misunderstanding on the part of the Government and will only result in harm.

II. The reputation of the action taken at this Hotel Utah meeting is not due to hostility on the part of the beet growers toward the farm bureau. The existing dissatisfaction can be credited to the fact that they are not only failing to make beet growing profitable but most of them have and are suffering actual loss in this branch of agriculture.

Beet growers have been taking stock both of the growing and manufacturing end of the business. They refuse to be further exploited as they have been in the past. They fail to understand why they should be called upon to make sacrifices in producing a crop which the company takes and coins into unreasonable profits.

These farmers do not believe that the Government requires them to produce a raw product at a loss any more than it requires a manufacturer to turn out a finished commodity at a loss. They are strongly of the opinion that the Government will measure the patriotism of all its citizens by the same gauge. They refuse to allow the companies to stampede them into growing sugar beets by the abuse of appeals to patriotism.

III. The beet growers of Utah and Idaho are prepared and willing to make all sacrifices necessary to uphold the hands of the Government. If they can best serve their country by planting sugar beets, then beets will be planted. But they draw a sharp distinction between their Government and the corporation that would unduly fatten on the products which they produce from

patriotic motives. When they make sacrifices they demand that the Government and not a rapacious corporation profit therefrom.

As a representative of the United States Food Administrator in this State we think you ought to be correctly informed. If you do not understand conditions as above set out, your sources of information are faulty, and you should take steps to uncover the true situation.

In these times men establish the measure of their patriotism by the sacrifice they are willing to make. So far no intimation of sacrifice has emanated from the sugar companies. It is a notorious fact that those in control of these concerns have unceasingly labored with the Food Administrator to secure the largest measure of profit from the business. As the greatest item of expense in the production of beet sugar is the cost of beets, it takes only a cursory examination of the question to enable one to understand that the sugar manufacturers will viciously fight any proposed increase in price of beets.

There is nothing to conceal in the attitude the farmers have assumed. They court the fullest investigation. They stand only for right and justice. To this end do they appeal to you to use your influence in bringing about such an investigation as will search out the secrets of this most essential and necessary business.

The beet growers in this territory are willing to cooperate with the sugar manufacturers. They recognize the justice of reasonable profits. They maintain that they bear the risks and perform the major portion of the labor required to place a crop of sugar on the market. If the manufacturers refuse to cooperate with them, they invite the Government to take over the factories and operate them for the public welfare. If such action is taken, beets and labor to the utmost limit of the farmers' resources will be at the disposal of the Government in the production of sugar.

To the end that the foregoing may be accomplished, we ask that you induce the Government to appoint a commission clothed with the necessary powers to effectually search into the merits of the question and determine where justice lies as between the beet grower and the sugar manufacturer.

Most respectfully,

INTERMOUNTAIN ASSOCIATION OF SUGAR BEET GROWERS.
N. P. PETERSON,
JOS. SMITH,
A. F. RUNDQUIST,
Executive Committee.

EXHIBIT No. 134.

UNITED STATES FOOD ADMINISTRATION,
FEDERAL FOOD ADMINISTRATOR FOR UTAH,
Salt Lake City, Utah, December 14, 1917.

INTERMOUNTAIN ASSOCIATION OF SUGAR-BEET GROWERS,
P. O. Box 136 Salt Lake City, Utah.

GENTLEMEN: Acknowledging receipt of your communication of December 12, beg to advise. In the judgment of the Federal food administrator for Utah it is worthy of serious consideration.

I am pleased to advise you that the United States Food Administration in Washington will be advised of the receipt of your communication by telegraph, and that a copy of it will be forwarded by mail to them. I am hopeful that some solution can be found of the problem that will have for its results an increased acreage of beets and a consequent increased output of sugar from this intermountain country.

For the information of the United States Food Administration in Washington, and to accompany my recommendations, would appreciate your advising me of the number of members of your association, the number of farms operated by your members, and the number of acres of beets on said farms in 1917.

Permit me to call to your attention that there are four elements to be considered:

First. The common welfare of our Nation and its allies.
Second. The local consumer of sugar.
Third. The grower of beets.
Fourth. The manufacturer of beet sugar.

All are entitled as of right to their day in court and to a hearing on a subject of public interest. At this time all are working to a common end, to wit, the survival of our Government and free institutions throughout the land. I believe that all should approach this and any other subject of common interest unselfishly, and holding in view solely the above objects.

With assurances of my desire to be of service to the membership of your organization.

Very truly, yours,

W. W. ARMSTRONG,
Federal Food Administrator for Utah.

EXHIBIT No. 135.

BOX 136, SALT LAKE CITY, UTAH,
December 17, 1917.

Hon. W. W. ARMSTRONG,
Federal Food Administrator for Utah, Salt Lake City.

DEAR SIR: We have your favor of the 14th instant. As loyal citizens we commend the attitude you have assumed concerning this most important matter.

It has been a most difficult task to carry conviction in some quarters that the grower of sugar beets was entitled to "his day in court." You have seen the point on first appeal. Give us our day in court and see to it that the court is clothed with sufficient authority to probe to the bottom and everything will be cleared up in a manner that will promote the common welfare of our Nation and its allies; that will protect the local consumer of sugar; that will relieve the beet grower from exploitation by the sugar company and will justify the said sugar companies in earning reasonable profits.

After thinking over this matter we are sure that you have come to the conclusion that the size of our association is immaterial to the questions in issue. Whether or not we have correctly informed you concerning the situation is the vital point. Truth stated by a single individual does not become changed when uttered by a nation.

Of course the Food Administrator in Washington and the food administrator in Utah can have all the facts concerning the Intermountain Association of Sugar Beet Growers if they need them, but right now it is our opinion that neither party cares to what organizations the farmers belong. The thing that concerns them and all other loyal citizens is whether or not these farmers are being so exploited that they are forced to rebel against a corporation that as yet has failed to make sacrifices for the public welfare.

If there is the slightest doubt in your mind as to the correctness of the conclusions we have drawn in our former communication, we suggest that you can set your mind at rest by going into any county where beets are grown either in Utah or Idaho and call a mass meeting of the growers, read our letter to them, and ask them face to face how they feel. Such a course will set your mind at rest and enable you to say to the Food Administration at Washington that at least 90 per cent of the beet growers in the two States are looking "for their day in court" and have resolved to have it or quit the business of growing sugar beets.

In conclusion we wish to assure you that you will have the support of this organization to the fullest measure in bringing about such an adjustment of conditions in the sugar business here as will establish confidence between the sugar manufacturer, the beet grower, and the sugar consumer. A liberal dose of justice injected into the situation is all that is needed, and so far we have heard only one of the parties demur to treatment.

Give us our day in court.

Most respectfully,

INTERMOUNTAIN ASSOCIATION OF SUGAR BEET GROWERS,
N. P. PETERSEN,
JOSEPH SMITH,
A. F. RUNQUIST,
Executive Committee.

Senator VARDAMAN. Does the committee want to hear anybody else from Colorado?

Senator KENYON. It is all cumulative, is it not?

Mr. WOOLWINE. I think so. There is an attorney, Mr. Dakan, who has about a three-minute statement he wants to make.

Senator VARDAMAN. We will hear the representatives from Nebraska for a few moments.

Senator KENYON. There is an attorney here who says he will only take three minutes.

Senator VARDAMAN. He is a curiosity.

Senator KENYON. We ought to hear from him.

TESTIMONY OF GEORGE HARMS.

(The witness was sworn by Senator Vardaman, acting as chairman.)

Senator VARDAMAN. Where do you live?

Mr. HARMS. At Bayard, Nebr.

Senator VARDAMAN. What is your business?

Mr. HARMS. I am a beet grower and farmer.

Senator VARDAMAN. Just make the statement that you desire to make to the committee in as few words as you can.

Mr. HARMS. We have a farmers' organization which is called the Farmers' Union, of which I am the president. It has a little over 1,000 members. This organization appointed a committee on sugar beets. This organization had their convention December 11, and a special beet growers' meeting was called for that particular day, although several meetings had been called before in various different places for the purpose of discussing the sugar beet proposition.

We have a different contract. Although the factory—the company—is the same as in Colorado, the Great Western Sugar Co., we have a different contract altogether. We have a flat price for sugar beets, and the price for the beets looks very deceiving. We are not receiving the price which is stated in the contract, and it is done in this way:

For instance, under the 1917 contract we received $7 for a ton of beets, flat price; but there is a provision in the contract that we must silo 25 per cent of these beets and deliver them afterwards at the rate of a given number of tons per day, say three, four, five tons per day, as they choose us to deliver them, which is extended over a period of about from 30 to 60 days to be delivered. For this siloing they pay us $1 extra per ton, which about pays for the labor of putting these beets into the silo. But these beets piled up in the fields will shrink from 15 to 30 and 40 per cent in weight. As we are paid a flat price just according to the weight of a ton, and the sugar contents remain practically the same, we are losing the shrink on these beets of 15 to 40 per cent, and the sugar contents are practically the same; so, in other words, they obtain those beets from 15 to 30 or 40 per cent less than they do if we would not have to silo these beets.

If we do not silo these beets we are getting 50 cents per ton less for our entire crop—not alone for the 25 per cent silo beets, but for our entire crop. If we raise 400 tons we would get $200 less if we do not silo this 25 per cent. In other words, it is a fine for not siloing this 25 per cent.

I can state that I was instructed at this convention to state to the Food Administration or any place where it was necessary that the growers were willing to grow beets, just so they would receive enough

to break even, or even at a loss if the Government took control, or if in any way at all they could raise them for the Government; but they absolutely will not raise beets under the present contract. It is not as much, or perhaps just as much the price, but absolutely we will not raise beets under the present contract as to siloing beets.

Senator VARDAMAN. Have you had any understanding or attempted to effect an agreement with the manufacturers so as to get them to raise the price of beets sufficiently to induce you to grow beets?

Mr. HARMS. I have been to Denver five different times in the last three years trying to get an understanding with the company as to these different discriminations, we call them, against the Nebraska growers; but we always received the same answer, and that was: "If you people can't raise beets at a profit you must raise something else. We must know what we can pay, and you must know if you can raise these beets or not." That was the answer we were always given.

Senator VARDAMAN. What do they offer you for next year, Mr. Harms?

Mr. HARMS. They offer us for next year $9 per ton, flat.

Senator VARDAMAN. Do they state the percentage of saccharine matter they require?

Mr. HARMS. They do not, but they get their difference in the shrink of those beets, which is approximately a dollar and a half a ton; and instead of paying this dollar additional for siloing, which would make $10, instead of getting $10 we will actually only receive $8.50 per ton, for I figure there is 15 per cent shrink. Of course if it is 25 per cent shrink it is that much more.

Senator VARDAMAN. Can you raise beets at that price?

Mr. HARMS. We can not and come out and pay expenses.

Senator VARDAMAN. Will you raise beets, plant a crop of beets this year for next year at that price?

Mr. HARMS. Our beets are largely raised by German Russians, who raise an acreage of approximately 60 acres on an average, and all these more especially were present at this convention and stated that they will raise only what beets they could work or their own families, which will be 10 to 12 and perhaps in some cases 20 acres; and that will decrease the acreage from 50 to 65 per cent.

Senator VARDAMAN. What is the total acreage planted by your association?

Mr. HARMS. About 5,000 acres. There is three factories represented there.

A GENTLEMAN. You mean 50,000 acres?

Mr. HARMS. There is about 500,000 to 600,000 tons of beets, whatever that will figure out, an average of 12 tons to the acre. I have not figured out just what it comes to.

Senator VARDAMAN. Do you mean 5,000 acres?

Mr. HARMS. We are producing five or six hundred thousand tons of beets for these three factories.

Senator LODGE. That is 50,000 acres.

Mr. HARMS. I have not tried to figure it out.

Senator JONES. What is the average percentage of sugar in your beets?

Mr. HARMS. It runs between 15 and 16 per cent. The last report I have seen was 15.80 or 15.90.

TESTIMONY OF MR. ALBERT DAKAN.

(The witness was sworn by Senator Vardaman, acting as chairman.)

Senator VARDAMAN. Please state your place of residence and business.

Mr. DAKAN. Longmont, Colo.

Senator VARDAMAN. Just make your statement, now, in your own way, Mr. Dakan.

Mr. DAKAN. I have been a market investigator for farm organizations in Colorado, Wyoming, part of Montana, and part of Nebraska for seven or eight years and have become familiar, through those investigations, with the sugar-beet industry in those four States.

The American Sugar Refining Co. under Mr. H. O. Havemeyer, and after his death, Washington B. Thomas, both presidents of the American Sugar Refining Co., secured control of all the sugar factories in this region by 1905; and the same men who managed the Great Western Sugar Co. under Mr. Havemeyer and Mr. Thomas are still in control of the factories in the communities where the Great Western Sugar Co. operates—some 14 factories in Colorado, Wyoming, Nebraska, and Montana. The same men, trained to control the communities by Mr. Havemeyer and Mr. Thomas, still control the sugar industry under the Great Western Sugar Co.'s management. Mr. C. S. Morey was the president and general manager of the Great Western Sugar Co. for many years, and, I think, just last year retired from the presidency of the company, but he still is the genius and the brains that manages the Great Western Sugar Co., and he was Mr. Havemeyer's confidant and Mr. Thomas's confidant in Colorado.

Senator JONES. I have heard the statement made that after that control was obtained in about 1905 for several years after that there were no new beet-sugar factories erected in Colorado and the Rocky Mountain country. What do you know about that statement?

Mr. DAKAN. These men—Mr. Morey, Mr. Betcher, Mr. Campion, and Mr. Thatcher—exercised their control to prevent the building of sugar factories in those territories.

Senator JONES. Do you know for what reason?

Mr. DAKAN. Mr. Havemeyer, in his confidential letters, which I have read, said they were not building up sugar factories, developing the industry. They curtailed the output through the prevention of the building of sugar factories.

Senator JONES. So as to prevent the beet sugar from coming in competition with the cane sugar?

Mr. DAKAN. Yes, sir. That same group of men control not only in Colorado, Wyoming, Montana, and Nebraska but in Utah and Idaho as well. The same group of men, trained by the American Sugar Refining Co., remain in control in those six States; and the training that they got under Mr. Havemeyer and Mr. Washington B. Thomas seems sufficient to satisfy Mr. Babst, who testified here the other day.

Senator JONES. You say, "Sufficient to satisfy Mr. Babst." What connection has Mr. Babst with that?

Mr. DAKAN. He is the president of the American Sugar Refining Co., and the stockholders of this company make annual tours of this beet region. For instance, Mr. Horace Havemeyer visits the territory nearly every fall, and Mr. Horace Havemeyer is said to have about 35 per cent of the stock of the American Sugar Refining Co. under his control.

(The witness subsequently stated that he meant the Great Western Sugar Co. in the statement last made.)

Senator JONES. The statement was made here by Mr. Babst that the American Sugar Refining Co. did not own a controlling interest in any one of those factories at the present time, and that statement appears to be in Poor's Manual here.

Mr. DAKAN. Yes, sir. I think I can explain that. Mr. Charles B. Warren, of Detroit, Mich., testified in the lobby probe here that the lawyers for the American Sugar Refining Co. thought it wise to reduce their holdings in the beet companies to one-third of the stock in the beet companies. They thought that the holding by the American Sugar Refining Co. of one-third of the stock in the beet companies would not be in violation of the Sherman Antitrust Act.

Senator JONES. But notwithstanding this reduction in their holding of stock in these beet companies, the stockholders of the American Sugar Refining Co. do make annual tours through that country for purposes of inspection?

Mr. DAKAN. Yes. I think it was also testified in the lobby probe that the control of 10 or 15 per cent of the stock of a company sometimes served as control; and then Mr. Morey wrote an affidavit that the control was not in the company, and Mr. Washington B. Thomas—I have seen this letter—wrote Mr. Morey that it would be ill advised to publish that affidavit, for all that anyone need to do to see that the American Sugar Refining Co. controlled the Great Western Sugar Co. was to examine its board of directors.

Senator KENYON. Do you really know that Mr. Horace Havemeyer owns any stock in the American Sugar Refining Co.?

Mr. DAKAN. I saw the testimony.

Senator KENYON. What testimony?

Mr. DAKAN. In the suit to dissolve the Sugar Trust, now pending.

Senator KENYON. And it was stated there, in the evidence, that he owned 35 per cent——

Mr. DAKAN. That he and his family owned approximately 35 per cent of the stock of the Great Western Sugar Co.

Senator KENYON. How long ago was that?

Mr. DAKAN. When he was on the stand a year or two—a couple of years—ago. He was out there this year—this fall.

(At this point a suggestion was made to the witness to the effect that he had said "The American Sugar Refining Co." when he meant "The Great Western Sugar Refining Co.")

Mr. DAKAN. It is the Great Western Sugar Co.'s stock that he owns.

Senator KENYON. What does he own in the American Sugar Refining Co.?

Mr. DAKAN. I do not know what interest he has.

Senator KENYON. You did not mean to say "The American Sugar Refining Co.", but "The Great Western"?

Mr. DAKAN. No; the Great Western; but he makes annual tours of inspection of the beet territory.

Senator VARDAMAN. This concludes the hearings for the afternoon. We will announce in a moment when the subcommittee will meet.

(After a brief executive session:)

Senator VARDAMAN. The subcommittee stands adjourned until 10.30 Wednesday morning, when we will take up the coal question.

(Thereupon, at 5.15 o'clock p. m., the subcommittee adjourned until Wednesday, December 26, 1917, at 10.30 o'clock a. m.)

SHORTAGE OF SUGAR.

WEDNESDAY, JANUARY 2, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., Senator Henry Cabot Lodge, presiding.

Present: Senators Vardaman, Jones, Lodge, and Kenyon.

Senator LODGE. The chairman of the committee, Senator Reed, is detained for the moment. He has some gentlemen with him who have come to see him from St. Louis, and he asked me to call the committee to order. I will ask you, Mr. Hoover, if you will be kind enough to take the stand.

TESTIMONY OF HERBERT HOOVER, UNITED STATES FOOD ADMINISTRATOR.

(The witness was sworn by Senator Lodge.)

Senator LODGE. Mr. Hoover, about when did you get here when you returned from Europe in the spring?

Mr. HOOVER. I arrived in Washington about the 3d of May, I believe.

Senator LODGE. About the 3d of May?

Mr. HOOVER. Yes.

Senator LODGE. And although the President's announcement that you would have charge of the Food Administration was not until May 19, you began at once to devote yourself to the question of the conservation and distribution of food, did you not?

Mr. HOOVER. I was asked to come from Europe to advise the Council of National Defense on these questions of food supply—control.

Senator LODGE. Yes; and you appeared before some of the committees of Congress, I think.

Mr. HOOVER. Yes.

Senator LODGE. And of course I am right, am I not, in stating your general object was the conservation and distribution of food, with a view not only to preventing waste in the United States, but of getting the largest possible surplus for export to the allies, who were in great need?

Mr. HOOVER. That was the purpose for which I was brought here.

Senator LODGE. And you stated that your object also was to stimulate—I will not refer to the exact statement; I have it here—to stimulate production, and at the same time to reduce the cost of living?

Mr. HOOVER. So far as both can be done together.

Senator LODGE. Both most desirable and admirable things, but, I think, we will all agree not easy to do.

Mr. HOOVER. No, sir.

Senator LODGE. As a preliminary, I think perhaps it would be well if we should have the situation—I would like to have the situation clear in my own mind—with which we were confronted, the general situation, and I want to ask you first in regard to the situation before the war—before the war came—with reference to prices. What had been the general course of prices before the war?

Mr. HOOVER. You refer to sugar alone?

Senator LODGE. No; I am referring to all prices. I will come to sugar afterwards.

Senator VARDAMAN. Food prices.

Senator LODGE. Of food prices.

Mr. HOOVER. You mean the general fluctuations?

Senator LODGE. Yes; the general movements.

Mr. HOOVER. I should think over a period of five or six years or more there had been a general tendency to rise.

Senator LODGE. Was it not longer than that?

Mr. HOOVER. Well, possibly.

Senator LODGE. As a matter of fact, did not the upward movement of prices begin at the close of the last century?

Mr. HOOVER. I have not gone into it from the historic point of view. I have no doubt you are right about it.

Senator LODGE. And there had been a general upward movement of prices, and the level of prices had been ascending?

Mr. HOOVER. That is my general impression.

Senator LODGE. During that period there had been efforts made in this country and possibly in other countries, as prices advanced, to do something to check the advance of prices; that is, reduce the cost of living, had there not? Something, I mean, such as the regulation of railroad rates, the breaking up of combinations and trusts, and the lowering of tariff rates—all directed, at least with hopes—toward that.

Mr. HOOVER. I think there was growing sentiment and growing legislation toward the restriction of profits—undue profits. I think there was a tendency, more than that, toward a reduction in the cost of living, as it was popularly called.

Senator LODGE. And yet, despite that, the level of prices continued to rise?

Mr. HOOVER. Yes; and I should think one of the things involved was the steadily increasing gold output in the world.

Senator LODGE. I was coming to that in a moment. Of course, there were ups and downs; it was not a state of unbroken upward movement; but the general movement was upward, and also there was a period, in 1907, when there was a great business depression for a time, and yet the level of prices still ascended. Does not that indicate that there were certain fundamental causes at work which were not reached by the legislation?

Mr. HOOVER. I should think so. My impression—and I do not profess to be an economist—was that the steadily increasing gold output of the world was effecting a rise in commodity prices.

Senator LODGE. Yes. Was there not also a tendency, when this advance began, in the period from the close of the last century, say,

roughly, down to 1907, when there came a period of depression—did not the advance of prices tend, as it always does, to encourage people to buy, the effect being that they were making money, wages were rising and commodities were rising?

Mr. HOOVER. The standard of living of the world, I should say, was improving, and consequently there was a larger consumption of commodities.

Senator LODGE. Take meat as an illustration. In 1909, I think, at the time when we had a tariff matter up under consideration, and I think possibly before that, it was brought to the attention of Congress that there was a great increase in the consumption of meats, without a corresponding increase in the production of edible animals. That demand may have been one underlying cause of the improvement in wages and the increase of prices, but it was a fluctuating cause. The other cause is the one already referred to, which was very general. Was there not an increase in the gold of the world during that period?

Mr. HOOVER. Yes; there has been a steadily ascending gold output, to a certain point. I think probably 1912 or 1913 saw its maximum. I would not be certain as to the precise date, but from that time I think there has been or would be a diminution in the gold output.

Senator LODGE. The gold output began to take its marked steady rise about 1885 when the world's output—and I am speaking of world's gold—in dollars was $105,000,000, until in 1896 it had reached an annual output of $202,000,000. In 1915, which is the last that we have in the Statistical Abstract, it reached $470,000,000, which is the largest annual production of gold of which we have record. It is true, I think—and if it is not you will correct me—that the amount of gold used in the arts, and which goes to India, and which in that way is withdrawn from circulation, perhaps, is a pretty constant proportion. That has not changed very much.

Mr. HOOVER. I am told that the gold absorption of India has greatly increased.

Senator LODGE. I think that is quite possible. At all events, there has been an immense addition to the gold supply over that long series of years; and it is true, is it not, that that means something more than the mere addition of the gold. It means a great extension of credits based on gold.

Mr. HOOVER. And at the same time there was an enormous extension in commerce, which involved the necessity of much wider credit basis.

Senator LODGE. Precisely. That brings me to the question of per capita circulation, which, of course, has a great bearing on the matter of prices. I take the circulation statement of the Treasury for December 1, 1917, and I find that on January 1, 1879, the circulation per capita in the United States was $16.92, and that on December 1, 1917, it was $48.50. That is in this country, and it has been rising steadily.

Senator JONES. Have you that for 5 or 10 year periods?

Senator LODGE. Yes. I have it here in the report of the Comptroller of the Currency for 1916, which gives the circulation per capita from 1800 down to 1916.

Senator VARDAMAN. What volume is that?

Senator LODGE. It is volume 2 of the report of the Comptroller of the Currency, 1916, pages 44 and 45. At the close of the century, when the upward movement in prices began, say in 1900, it was $26.93 per capita. That cause was at work, was it not, all the time, advancing prices?

Mr. HOOVER. There are, of course, two or three schools of economists, some who contend that is not the cause. I would not pretend to be sufficiently expert to say. My own impression is that it had an effect on rising prices, but coordinate with it was the enormous expansion in commerce, which necessitated a larger floating currency.

Senator LODGE. Is there any school of economists that does not admit that the amount of circulation per capita has an effect on prices?

Mr. HOOVER. The increasing necessity of commerce might absorb a good deal of the impact of an increasing currency.

Senator LODGE. No doubt. In other words, the rising price might not be at all in proportion to the rise in the amount of circulating medium per capita.

Mr. HOOVER. Quite true.

Senator LODGE. But at the same time it is an element——

Mr. HOOVER. I should think that it is a definite element.

Senator LODGE. In pushing it forward and a general element.

Mr. HOOVER. If the currency were so nicely adjusted as to only correspond to an increase in the commerce, I doubt whether there would be a rise in prices, but that is a matter of opinion only.

Senator LODGE. That being the general situation before the war, an upward trend of prices apparently because of general causes when the war came, were there not other causes set in operation which would tend to advance the prices, and I speak now of world's prices?

Mr. HOOVER. There is no more pertinent cause of a rise in prices than a shortage in supply, and in certain commodities there is a shortage.

Senator LODGE. In the first place I think we were speaking about the amount of currency. Be that effect much or little, and personally I think it is apt to have a larger effect than you admit, that cause was increased in force, was it not?

Mr. HOOVER. There has been an expansion in currency in practically all of the belligerent countries. I do not know how much it amounts to here.

Senator LODGE. I do not know how much it amounts to in the belligerent countries, but they have all expanded currency.

Mr. HOOVER. There has been some inflation everywhere.

Senator LODGE. Some issue of irredeemable paper; but in this country there has been a very great increase, owing, I assume, to our enormous exports, and the money which that brought into the country. For instance, just to take the two last years, 1916 the circulation per capita in this country was $39.29, and on December 1, 1917, it was $48. That is an advance of $9 per capita in one year. We have issued no irredeemable currency. That is simply the inflow of gold.

Mr. HOOVER. I should imagine that it is based on the gold expansion.

Senator LODGE. Then, in addition to that, affecting prices, there has been the enormous effect caused by the withdrawal of vast bodies

of men in increasing numbers from productive labor, changing them into mere consumers.

Mr. HOOVER. Yes; and thereby diminishing production.

Senator LODGE. And also in furnishing materials of war, which are nonproductive. In furnishing those materials further bodies of labor were withdrawn from productive branches into nonproductive branches in the manufacture of munitions. Would not that have a great effect on prices?

Mr. HOOVER. I think it would. I do not know that that is quite a statement of the case. My own impression would be that the cause lay in the shortage of production of food commodities and therefore in undersupply.

(At this point Senator Reed (chairman) entered the room and assumed the chair.)

Senator LODGE. That is putting it only in another way, I think. The withdrawal of these vast bodies of men, either to make munitions or fight in the line, brought about a shortage in production.

Mr. HOOVER. That is one of the causes.

Senator LODGE. And that, of course, has a tendency to advance world prices, of which I am speaking. We have then those two great causes, which were moving prices upward, to contend with. I want now to come to the question of sugar. What had been the sugar prices prior to the war as compared with the general prices?

Mr. HOOVER. I have not that data here, and I am unable to say.

Senator LODGE. I have a table here which I had prepared from statistics of the Bureau of Labor at the time of the tariff debates in 1913, showing the wholesale prices of farm and food products in the decade from 1900 to 1910 in percentages. From that it appears there was a decrease in three articles—molasses, which decreased 22.4 per cent; raisins, which decreased 19.5 per cent; and sugar, which decreased 7 per cent. All the others shown in the table, which I shall print in the record, advanced, beginning with potatoes, which advanced 14.4 per cent in that same period, and ending with salt pork, which advanced 89.8 per cent. The percentages range between those.

(The table referred to by Senator Lodge is as follows:)

Wholesale prices of farm and food products, 1900 to 1910, in per cent.

DECREASE.	
Molasses	22.4
Raisins	19.5
Sugar	7.0
INCREASE.	
Potatoes	14.4
Beans	14.4
Prunes	19.7
Codfish	21.4
Onions	22.1
Bread	25.0
Sugar beets	26.8
Fresh beef	27.7
Rye flour	29.1
Milk	34.3
Cattle and sheep	34.4
Evaporated apples	35.0
Butter	36.7
Average of all	37.7
Cheese	39.4
Wheat flour	43.0
Herring	43.9
Timothy hay	49.3
Barley	49.5
Salt beef	49.7
Rye	50.2
Mutton	51.9
Corn meal	52.4
Corn	52.5
Wheat	55.9
Cotton	57.3
Hams	60.4
Eggs	64.8
Oats	69.8
Hogs	76.0
Bacon	77.1
Lard	81.6
Salt pork	89.8

Senator LODGE. With all prices of foodstuffs advancing in that way, why was it that sugar did not share in the advance?

Mr. HOOVER. That is, in the prewar period?

Senator LODGE. Yes.

Mr. HOOVER. My impression is the cheapening cost of production and the opening of areas of cheap production, and the cheapening cost of distribution all had a good deal to do with that special commodity.

Senator LODGE. Stated concisely, could there have been anything to prevent a general upward movement in prices of sugar except the fact that there was an oversupply.

Mr. HOOVER. Certainly there was no under supply, or obviously there would have been such movement. Apparently there was a constantly cheapening production.

Senator LODGE. That is another way of putting it. As a matter of fact, was there not a larger supply than there was demand?

Mr. HOOVER. It seems to me it is a little difficult to express. There was a marginal excess supply larger than the demand at high cost of production. In other words, there was a point, on the old theory of rent, where the high cost of production would disappear automatically each year.

Senator LODGE. They formed cartels abroad to control the sale of beet sugar, which had increased enormously, and the cane-sugar production in the British West India Islands had reached the point where it was unprotected and suffered very greatly from the competition with the beet sugars on the Continent of Europe. However we may express it, it was that increased production of fine sugars which kept prices from rising.

Mr. HOOVER. After beet sugar was introduced, especially the European sugar, a cheaper source of production was found than in some of the old areas of cane production.

Senator LODGE. That resulted in an oversupply of sugar?

Mr. HOOVER. I should think, take it by and large, over a period of 10 years, there was no great accumulation of sugar; that each year adjusted itself fairly automatically.

Senator LODGE. I do not know about the amount of sugar that was carried over, but there certainly was so much sugar in the world that the beet-sugar people had to use artificial means to maintain the price, I think. Therefore, the situation as respects sugar, at all events, did not change between 1910 and 1913, and at the beginning of the war it occupied a somewhat different position from that of the other articles.

Mr. HOOVER. It had been one of the food commodities of cheapened production and cheapening prices.

Senator LODGE. There may have been others, but that only shows two. That being the case, when the war began it of course revolutionized the situation?

Mr. HOOVER. Yes.

Senator LODGE. In sugar?

Mr. HOOVER. Yes.

Senator LODGE. In other words, it cut off a large part of the area of the beet-sugar supply and reduced others.

Mr. HOOVER. Yes; there was a total dislocation behind the belligerent lines. England, for instance, was unable to obtain her normal supply of beet sugar, and that demand was thrust on to cane sugar.

Senator LODGE. England had been going on on the supply of beet sugars on the continent, substantially, had she not?

Mr. HOOVER. Yes, in great majority.

Senator LODGE. She had never done anything to maintain the production of cane sugar in her islands in the West Indies?

Mr. HOOVER. I rather think they had done something by way of subvention, but only in slight degree, so far as I recollect.

Senator LODGE. When the war began the great sugar areas of Austria and Germany were cut off entirely?

Mr. HOOVER. Yes.

Senator LODGE. I mean from the rest of the world.

Mr. HOOVER. Yes.

Senator LODGE. Of course, they use them themselves, and that was substantially true of the Russian field, was it not?

Mr. HOOVER. Yes, sir. There was no access to the western world from Russia.

Senator LODGE. There was no access to it; and of course the Belgian production was practically destroyed, was it not, or very largely?

Mr. HOOVER. Well, the Belgian production has gone on, on a minor scale.

Senator LODGE. But very much reduced?

Mr. HOOVER. Very much reduced.

Senator LODGE. And the same is true of France?

Mr. HOOVER. The French production has diminished, I think, from about 750,000 tons to an estimated crop this year of perhaps 210,000 tons, I think the estimate is.

Senator LODGE. And in Italy?

Mr. HOOVER. The Italian reduction appears to be from about 200,000 tons or 210,000 tons, normal, to an apparent production this year of about 75,000 tons; but even that 75,000 tons is now in extreme jeopardy.

Senator LODGE. That threw the powers at war with Germany—I mean the principal powers; I do not know what the sugar situation may have been in the Balkan States—but it threw the principal powers—France, England, and Italy—in a large measure at least upon the outside production of sugar?

Mr. HOOVER. Yes. They were thrown alternatively on to the western hemisphere, or to a larger degree upon the Indian ocean supplies.

Senator LODGE. Yes. The principal Indian Ocean supply is Java, is it not?

Mr. HOOVER. Java.

Senator LODGE. And at the very beginning of the war, I think—I was in London at the time—the English Government bought large quantities of sugar, did it not?

Mr. HOOVER. They did buy a very large amount in the Western Hemisphere and in Java.

Senator LODGE. Then, the great sugar field which was left untouched by the war was what may be called the American field? I include Cuba in that.

Mr. HOOVER. Yes; the Western Hemisphere.

Senator LODGE. The Western Hemisphere. There was production in Brazil and production in Peru and production in Mexico, but not heavy production in the case of any of them?

Mr. HOOVER. No. The Cuban production is obviously the dominant production.

Senator LODGE. That is the dominant production, undoubtedly. How long was England able to get the East Indian sugars? They have become practically inaccessible, have they not, or very difficult of access?

Mr. HOOVER. It has become now purely a question of the saving of shipping. As we all know, there is a considerable stock of sugar in Java, estimated variously at from eight hundred thousand to a million tons; nobody knows precisely how much, apparently; and the journey being from three to three and a half times as long, the consequent shortage of shipping has practically isolated that market for the present. I understand that the allies are not going to further attempt to transport Java sugar.

Senator LODGE. There has been a very large reduction in the consumption of sugar, has there not, in France and England?

Mr. HOOVER. Yes. They have been steadily reducing their sugar consumption since about 1916, until the reduction now is, on a rough estimate, I should think, somewhere between 30 and 40 per cent. It is difficult to determine.

Senator LODGE. Now I come to the American field. I will call it, for convenience, the American field, with a view of considering the manner in which we have dealt with it. What were the crop prospects early in the year?

Mr. HOOVER. Early in this year?

Senator LODGE. Early in 1917.

Mr. HOOVER. I had no occasion to give consideration to it until some time in May, and at that time the prospects looked very good except for one possibility, and that was the disordered condition in Cuba and the possible destruction of cane fields; in fact, some destruction was going on at that time, causing considerable anxiety.

Senator LODGE. When did the political disturbances in Cuba begin?

Mr. HOOVER. I could not tell you precisely. That was the situation when I arrived here.

Senator LODGE. They began, I think, about February 13. Were they not practically over in May?

Mr. HOOVER. No, sir. I am confident they were not; but that is a subject I would rather pursue in executive session if you would care to go into it.

Senator LODGE. Oh, I shall not ask anything that ought to be asked in executive session. I am only asking the facts about the Cuban crop.

Mr. HOOVER. I may state this, I think—that some few days after I arrived here I was asked by the State Department to undertake some matters in Cuba in connection with seeing if these disorders could not be better controlled in the interest of preserving the sugar crop; and at my suggestion an agent was sent to Cuba to cooperate in matters with the Cuban Government with a view to the better restoration of order and especially the provision of labor, the labor having been frightened more by the disorder and the peril being more imminent from that point of view than from the actual volume of destruction.

Senator LODGE. That is all quite true. I think it is a matter of public knowledge here. Do you know Mr. Himely?

Mr. HOOVER. I do not recall his name at the moment.

Senator LODGE. Is he not the statistical expert of Willett & Gray?

Mr. HOOVER. Possibly; but I do not recall his name.

Senator LODGE. I think he is; yes, he is. Mr. Himely, I think, is Willett & Gray's statistician. That is what I supposed—that he was statistician for Willett & Gray, whose statistics, I know, are accepted by our own bureau, and I think they are generally accepted as authoritative.

Mr. HOOVER. I think they are undoubtedly the most reliable trade statistics.

Senator LODGE. I find it was estimated by Mr. Himely at the beginning of the year that the crop to be harvested would yield a return of 3,466,000 tons as against 3,006,000 tons in 1916—this was before you had returned to the country—and the price was 4¼ cost and freight for Cubas, which declined in January to 3⅞.

Mr. HOOVER. I am just informed, Senator, that Mr. Himely is employed by the Federal Refining Co., Mr. Spreckels's concern, not by Willett & Gray.

Senator LODGE. He is? I supposed he was employed by Willett & Gray. Does that differ from the Willett & Gray estimate?

Mr. HOOVER. I have no knowledge as to that.

Senator LODGE. There can'not be any question about the prices, can there? They are a matter of market quotation.

Mr. HOOVER. Oh, I should not think so. They are a matter of market public record.

Senator LODGE. Then there were labor troubles in the refineries, were there not?

Mr. HOOVER. Yes, sir.

Senator LODGE. Which advanced the price of sugar?

Mr. HOOVER. Yes. There seems to have been quite a flurry at the time of the strikes.

Senator LODGE. And then came the revolution in Cuba, or the disturbances in Cuba?

Mr. HOOVER. Yes, sir.

Senator LODGE. My attention has been called to a date I had forgotten in connection with the troubles in Cuba. I will go back a moment. Gomez, who was the leader of the revolution, surrendered on March 8, and the disturbances were practically over and the Menocal government in complete control about the 1st of April.

Mr. HOOVER. I understood that some difficulties continued for quite a period after that. I find that on May 22, if I may interrupt, Mr. Himely, writing for the Federal Refining Co.'s circular, states that the conditions continue extremely unsatisfactory in the Oriente. That is on May 22—so late as that.

Senator LODGE. He reduced his crop estimate, did he not?

Mr. HOOVER. I believe so.

Senator LODGE. To 3,000,000 tons?

Mr. HOOVER. Something in that neighborhood.

Senator LODGE. But these natural causes had advanced the price of sugar, had they not?

Mr. HOOVER. I should think they should have.

Senator LODGE. Well, as a matter of fact, did they not?

Mr. HOOVER. I believe so.

Senator LODGE. And they caused much uncertainty in the market?

Mr. HOOVER. Certainly.

Senator LODGE. That being the general situation of the sugar market, on May 9 you stated this before the Committee on Agriculture and Forestry of the Senate:

I might mention next sugar as showing another complication of this problem. From the information I have, it seems to me probable that by the middle of October this country will have exhausted its sugar supply, and its arrivals are not large before the end of December. The outlook for sugar is very poor. The Cuban crop may be down a million and a quarter tons below the 4,000,000 normal, and generally there is a scarcity of sugar in the world, owing to the decrease in beet production all over Europe, and the greater demand and greater pull by the allies on such sugar as is available, and they have an equal pull on the Cuban market and other markets with ourselves.

Mr. HOOVER. I think some one amongst the committee has called attention to the fact that that "four million" is a typographical error. It is obvious that "three million" was the intention. The figure of three million for the Cuban crop is too well known to admit of doubt.

Senator LODGE. You meant to say 3,000,000 normal?

Mr. HOOVER. Yes.

Senator LODGE. What do you call a normal crop?

Mr. HOOVER. Well, this year she has produced approximately 3,000,000 tons.

Senator LODGE. Yes; I know. But you spoke of the normal Cuban crop.

Mr. HOOVER. I was speaking of the prospects at the time, approximately 3,000,000 as being the crop that might be hoped for.

Senator LODGE. Do you interpret the word "normal" in that way?

Mr. HOOVER. I should think it was normal for the prospects at the time. I do not see any other interpretation that could be put on it, barring one eventuality, and that was continued destruction and continued shortage of labor, which were the causes which might have caused a great reduction in the Cuban crop at that particular moment.

Senator LODGE. Is it fair to say that the largest crop ever produced is a normal crop?

Mr. HOOVER. Well, if you wish to interpret the word "normal" as being an average of several years, the term was wrongly used by me in that expression. If you interpret it as the prospects of that immediate crop as a normal crop that might be disturbed by certain events, then the use fo the term was proper. It is largely a question of definition of terms. I agree to your definition entirely if we accept it as an average over a long period.

Senator LODGE. I mean normal in the ordinary sense. I should have supposed that the word "normal" could not be interpreted to mean the largest crop ever raised. I should say the normal crop was the usual, average crop, conforming to the normal.

Mr. HOOVER. Well, perhaps some other term would have been a more fortunate expression to express what would happen in a given event, barring certain eventualities.

Senator LODGE. You meant to say, then, that the 3,000,000-ton crop—that was the crop of 1916, was it not, 3,000,000 tons?

Mr. HOOVER. I think that was about the figure. I do not recollect at the moment.

Senator LODGE. Yes; those are the figures. Was not that the largest crop ever produced in Cuba?

Mr. HOOVER. I should think so. I have not the figures by me.

Senator LODGE. I took these figures off the statistical returns:

The Cuban crop for 1911–12 was 1,895,000 tons. I give only round number. For 1912–13, 2,428,000 tons; for 1913–14, 2,597,000 tons; for 1914–15, 2,592,000 tons; for 1915–16, 3,007,000 tons.

Mr. HOOVER. The 1915 crop was over 3,000,000 tons, was it?

Senator LODGE. The 1916 crop was 7,000 tons or nearly 8,000 tons over 3,000,000. The average for those five years was 2,400,000 tons.

Mr. HOOVER. What would be the average for the two years 1915 and 1916?

Senator LODGE. 1915–16 and 1914–15?

Mr. HOOVER. No; just 1915 and 1916.

Senator LODGE. I gave that crop as one year—3,007,000 tons, as returned. That is returned as the crop of the year, because the crops lap over. I am giving the sugar years.

Mr. HOOVER. I just meant for the last two sugar years.

Senator LODGE. The last two sugar years were 1914–15 and 1915–16, and the average, roughly, is about 2,700,000 tons.

Mr. HOOVER. On the other hand, the average from 1915 to 1918 would appear to be over 3,000,000 tons for the three years.

Senator LODGE. Yes; but when you were speaking on the 9th of May, 1917, you surely did not have the complete figures of this coming year's crop.

Mr. HOOVER. Oh, no; I was just speaking of the normal expectation.

Senator LODGE. I was speaking of the figures you had before you at that time, which were complete up to 1915–16, for the five years showing an average of 2,400,000 tons and for two years showing an average of 2,700,000 tons. In other words, 3,000,000 tons was the largest crop ever produced in Cuba, the crop of 1916. That you put as the normal?

(The witness nodded his head affirmatively.)

The CHAIRMAN. I call your attention again to the fact that through inadvertence Mr. Hoover assents by nodding his head, and does not always answer. We want to get the answer in. He means to answer.

Senator LODGE. I said the normal. You stated three million was the largest crop ever raised in Cuba up to that time, did you not?

Mr. HOOVER. Yes, sir; but as a normal I should think it could have been verified by these years over three million ton crop.

Senator LODGE. The three years surely have not lapsed since 1916, have they?

Mr. HOOVER. The figures for the 1915–16 crop were 3,700,000. This present crop is 3,000,000; the 1916–17 crop is estimated at 3,000,000 and the 1917–18 at 3,200,000.

Senator LODGE. The 1917–18 has not yet been gathered, has it?

Mr. HOOVER. It is in the course of being gathered.

Senator LODGE. When you established your normal at 3,000,000 tons, were you figuring the crop of 1917–18, which is only just now being taken?

Mr. HOOVER. We had one year behind us and one year in front of us. One was over 3,000,000, the other was estimated up to 3,000,000.

Senator LODGE. The only one you knew absolutely was 1915–16, was it not?

Mr. HOOVER. Oh, yes.

Senator LODGE. You certainly did not know the crop this year, did you?

Mr. HOOVER. We knew the estimate; that is all.

Senator LODGE. You knew the estimate, precisely. You said that normal, which you established at 3,000,000, was likely to be reduced by a million and a quarter. That brought the Cuban crop down to 1,750,000 tons, in round numbers?

Mr. HOOVER. I said that the Cuban crop may be down, and I may say, in explanation of that, in the investigation I made at the request of the State Department, in which I had occasion to come in contact with a great many sugar producers, their whole view was that unless both the question of disturbance and that of labor could be remedied there would be that shortage in this year's crop, and that was the basis of that statement. Fortunately, both of those things have been remedied by the actions taken at the time.

Senator LODGE. The Cuban revolution was over in May. Did you think there was danger that the Cuban crop would fall below the crop of 1912?

Mr. HOOVER. I thought there was a danger, if the conditions continued as they existed at that moment. The cane fields were still being burned at that time.

Senator LODGE. As a matter of fact, the crop was over three millions, was it not?

Mr. HOOVER. It did eventuate so, because the conditions were remedied.

Senator LODGE. You mean the conditions in Cuba?

Mr. HOOVER. Yes.

Senator LODGE. The Cuban crop, then, was slightly larger this year than ever before?

Mr. HOOVER. Yes.

Senator LODGE. Three million twenty-three thousand tons. What was the case with the domestic crop?

Mr. HOOVER. I have not the precise figures, Senator. I think they are before you somewhere. I would like, if I might, to make a little statement on this introduction of the material presented to the Agricultural Committee, that that information was given in executive session of that committee.

Senator LODGE. Does that affect its accuracy?

Mr. HOOVER. No, sir; it does not. It affects its publicity.

Senator LODGE. It is not marked "confidential"?

Mr. HOOVER. I do not know. In my copy the opening of that day's hearing states that the hearing is under executive session.

Senator LODGE. Yes; they proceeded in executive session. The hearings were printed. They were not marked "confidential," as hearings usually are, or as any matter before the Senate is that is confidential. They were open to anyone who chose to ask for them.

Senator KENYON. Do you understand, Mr. Hoover, that those hearings were to be confidential?

Mr. HOOVER. That was the statement made to me at the time, and it is in the record. Otherwise I should not have been able to have spoken so freely.

Senator KENYON. I remember you were asked to speak very freely.

Senator LODGE. They were not made public by this committee. They were made public and came before us, and I should like to know whether the statements are incorrectly reported.

Mr. HOOVER. There is no incorrection in statement in the circumstance, except the typographical error there.

Senator LODGE. When was your attention called to that error?

Mr. HOOVER. Not until these hearings began.

Senator LODGE. You never saw a transcript or proof?

Mr. HOOVER. I may have seen it, I think, at the time. It escaped my notice, anyway.

Senator LODGE. There was no secret, was there, about the fact that you thought there would be a sugar shortage?

Mr. HOOVER. I assumed that there was. I did not wish to make any alarming statements to the country at that time, and that was the precise reason why that session was supposed to be in executive session.

Senator LODGE. Was it not widely stated in the newspapers at that time that you thought there was likely to be a sugar shortage, and that it was very important to save sugar?

Mr. HOOVER. A statement did appear, and I denied promptly the statement that there would be a sugar famine from the causes which were under discussion at that time, provided always that proper steps were taken to secure the supply, in order to try to allay the position created by that little disclosure. I did state also at the same time that the demands of the allies on the Western Hemisphere made it important and necessary for us to reduce our sugar consumption in order to save shipping and maintain our supply.

Senator LODGE. In the Chicago Sunday Herald of May 20 they give what purports to be your comment on the department bill, and it is in quotation marks as your words.

(The article referred to was thereupon marked "Exhibit No. 164," and was read into the record in full, as follows:)

EXHIBIT No. 164.

Here is Mr. Hoover's comment on the department's bill:

"The result of three years of turmoil and an enormous accumulation of blundering and experience has been the universal development in every European government of foodstuffs, munitions, and shipping into administration bodies of equal importance with these other administrative bodies of the Government. That has been found necessary in order to give prestige to these organizations, under which they may cooperate with the commercial interests of the country, and to give the prestige with which they may cooperate with the similar departments of the allies. Above all to create in the minds of the people a certain imaginative alarm resulting in saving, and arising from the very fact that you set up a food control in the country. The fact that it is set up and given wide powers is in itself an advertisement to the people that there is cause for concern."

Mr. HOOVER. That is true. It has that effect. I might continue on the question of that statement with regard to the scarcity of sugar, that after some leak occurred in the Senate Agricultural Committee proceedings, I wrote to Senator Gore, and told him I had understood that those statements were made in executive session. I have his reply back saying that that is the case, and he greatly regretted that any information of that kind was made public.

Senator LODGE. The date of this paper was subsequent to that statement, the statement in which you said it was necessary to create an imaginative alarm.

Mr. HOOVER. Surely

Senator JONES. I think at this stage it might be advisable to get these letters in the record.

Senator LODGE. Certainly. When were these statements of the committee made public; do you know?

Mr. HOOVER. I do not remember the precise date, but I presume it was a day or so before that letter.

Senator LODGE. They were made public, however?

Mr. HOOVER. It was only a newspaper rumor that such statements had been made. There was nothing in detail.

Senator KENYON. After you saw that, you wrote to Senator Gore?

Mr. HOOVER. I wrote to Senator Gore.

Senator LODGE. There had been a certain publicity given to them?

Mr. HOOVER. Yes.

Senator JONES. We might just as well have the letters read at this time, for the information of the committee. If there is no objection to it, I think it would be advisable that they be read.

Senator LODGE. There is no objection. If you give me the letters I will read them.

(The letters referred to were thereupon marked "Exhibit No. 165" and "Exhibit No. 166," and were read into the record, in full, as follows:)

EXHIBIT No. 165.

JUNE 4, 1917.

Hon. THOMAS P. GORE,
United States Senate, Washington, D. C.

DEAR SENATOR: When I appeared before the Senate committee I asked if the proceedings would be made public and I understood you to give instructions that the entire hearing was an executive order and I therefore expressed myself with freedom on many issues. I now find that the Senate proceedings are in the hands of two or three of the press agencies and are being peddled out over the country in dispatches day by day. I inclose one which threatens to have a most disastrous effect to the whole country and with which I have had to take as firm as possible measures to deny. It represents a part extract from the Senate hearing but without the context, and I am assured by the sugar people that it will mean a raise of 1 cent a pound to the entire population within 24 hours.

If I had had the remotest idea that these proceedings would become available to the press I would not have been able to give the Senate committee much which I did impart. If the proceedings have been made an executive order, it does seem to me that some action should be taken by the Agricultural Committee to inform the United Press, the Associated Press, and all four Washington papers that this material was on an executive session and that they had no right to be printing any of it. I believe it would be of the utmost interest to the whole country if this could be done.

Yours, very truly.

EXHIBIT 166.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, June 5, 1917.

Mr. HERBERT HOOVER, *Washington, D. C.*

MY DEAR SIR: I beg to acknowledge receipt of your letter of June 4. I regret that any publicity should have been given to any statement of this kind which might cause an unfavorable reaction.

With respect to your statement before the Senate Committee on Agriculture, I may say that it was given in executive session. I sent the copy to you, how-

ever, with the request that it be deleted, and the manuscript was returned with a number of statements and paragraphs blue penciled. All these statements and paragraphs were left out of the print. The remaining part of your statement was considered of so much importance by the committee that its publication was thought to be both necessary and proper. The vain struggle of the Senate to keep proceedings of executive sessions out of the press would rather discourage any effort to check or challenge the statements referred to in recent publications. I am afraid that any effort to recall these statements would merely emphasize the fact that they were given in executive session and would give to them even an added importance. I am sorry that anything should have happened in connection with the statement contrary to your wishes.

Truly, yours,

T. P. GORE.

Senator VARDAMAN. Just at this point I think it would be well to ask Mr. Hoover if this proof was sent to him, and if he made the corrections Senator Gore refers to.

Senator LODGE. Is that statement of Senator Gore's about the proof being sent to you true?

Mr. HOOVER. Yes; not a printed proof, but some——

Senator LODGE. A stenographer's transcript?

Mr. HOOVER. I think a stenographer's transcript was sent to me, and some changes were made in it. But I was certainly not of the impression that it was going to publication.

Senator LODGE. Senator Gore says in that letter, as I understand him, that it was necessary to get it out.

Mr. HOOVER. As you can see by the letters themselves, it certainly was not my understanding, or I should have deleted a good deal more.

Senator LODGE. Just what was it that you did not wish to go out?

Mr. HOOVER. The whole statement that, due to disturbances in Cuba, there might be a very great reduction in the crop. It was not a proper thing to create public alarm in discussing a possible situation that might eventuate.

Senator LODGE. And yet subsequently you said, in that newspaper statement, that it was desirable to create an imaginative alarm in order to promote saving.

Mr. HOOVER. With regard to all the foodstuffs of the country, certainly. But it is not desirable to state a hypothetical case based on the possible eventuality of a shortage and create an undue alarm in any food commodity.

Senator LODGE. The Cuban trouble was perfectly well known to the whole world, was it not?

Mr. HOOVER. Not in its entirety.

Senator LODGE. It was known there had been a revolution there, and there had been cane destruction, was it not?

Mr. HOOVER. It was not known that there was a great possibility of shortage of labor, and that the conditions in the island at that time looked somewhat to a recurrence of the disturbances on a larger scale.

Senator LODGE. Those facts were known to everybody, I think, Mr. Hoover—they came within my own knowledge—and that that could not fail to have an effect on prices. On the same day, May 20, I see printed in one of your bulletins a speech you made at Brown University, in which you stated that we were faced with a world's shortage. Was not that calculated to create an imaginative alarm?

Mr. HOOVER. I hope so, Senator. My belief is that the only hope of saving the food supplies of the world is to give our people, an intelli-

gent people, a proper and adequate statement as to the positions which they face.

Senator LODGE. Under those circumstances, what was there, then, so serious in the Agricultural Committee permitting those statements before the committee to become public?

Mr. HOOVER. There is entirely a difference of position, that the Cuban situation at that moment was a situation of possibility of further destruction of the crop, and a shortage of labor, both of which were preventable, and the whole of the representation to the committee was made by way of illustration as to what could be done to prevent such issues as that. It has little to do with the whole food situation of the world. To have stated that the Cuban crop would be down a million and a quarter tons by the possibilities that then opened up would have caused undue alarm of the public, as proved by the fact that they have subsequently been prevented by the measures taken. But to state to the public that the world is short of sugar, and that if the allies are to be supported they must save their supplies is an eminently proper thing to do.

Senator LODGE. The danger you predicted was that it might fall off a million and a quarter tons?

Mr. HOOVER. Due to special causes, which were remediable.

Senator LODGE. Which would leave a total Cuban crop of 1,750,000 tons?

Mr. HOOVER. If those causes were allowed to act without remedy.

Senator LODGE. Do you recall what the actual amount of the Cuban crop that had been marketed at that time was?

Mr. HOOVER. That remark was in application to the present crop being harvested.

Senator LODGE. I mean the present crop; how much?

Mr. HOOVER. How much of this crop had been marketed?

Senator LODGE. How much had been produced in Cuba up to that time?

Mr. HOOVER. This, Senator, was in reference to the crop now being harvested, not to last year's crop.

Senator LODGE. I am not speaking of last year's crop; I am speaking of the crop of which you are speaking, which is the crop being handled in the spring of 1917.

Mr. HOOVER. I think there was some confusion. I was speaking of the crop then being planted, and about to be planted, and coming in.

Senator LODGE. You were speaking about the crop which is now being harvested and ground?

Mr. HOOVER. Oh, yes; with reference to that and the possible loss from some cane burning. I will withdraw that. My mind is a little confused on it. I was speaking of the crop then being harvested.

Senator LODGE. Messrs. Willett & Gray reported at that time that they were advised that the production up to the end of May is 2,558,000 tons, as against 2,709,000 tons last year, or a shortage, in round figures, of 150,000 tons at the end of May. That was the actual amount of sugar that had just been harvested. How was it possible to get the total crop down to 1,750,000 tons?

Mr. HOOVER. This period under discussion, and the figures that I was quoting, were information given to me by Cuban planters at the time. It probably relates to the month of April, but all this took place early in the month of May, right in the middle of their

harvest. I may have been misinformed as to actual amount. The point was not one of detailed figure; the point was one of illustrating. It was a case of illustrating the point of necessity of action in the protection of the food supplies.

Senator LODGE. I know, but you used those figures, that the Cuban crop might be a million and a quarter tons below the normal, which you fixed at 3,000,000 tons. That would have left a total Cuban crop of 1,750,000 tons, and it appears that at that time, in May, the crop was only 150,000 tons short of the year before, and that 2,500,000 tons had already been secured.

Mr. HOOVER. Senator, you are quoting end May figures, instead of approximately end April figures.

Senator LODGE. I am quoting end May figures. Your testimony was given on the 9th of May.

Mr. HOOVER. If I had all the total figures in my hand they would not have been later than April.

Senator LODGE. These are figures that were public, of course. As a matter of fact, at that very time sugar was coming forward in only a slightly less amount than in the previous year. Those reports that were given out from these hearings, and the statements you made to the newspapers, and in your speech at Brown University, were calculated, as you said, were they not, to cause an imaginative alarm?

Mr. HOOVER. Yes, sir. I believe that it is necessary to tell the country what is its food supply, without undue alarm; to give accurately, as far as we can, the position to our people, and ask them to meet this situation in the interest of winning the war. I have been guilty of repeated statements. You do not need to quote instances.

Senator LODGE. Were not statements emanating from such high authority as yourself calculated to advance prices and disturb the market?

Mr. HOOVER. I do not think so, Senator. My own belief is that a proper picturing of the food situation of the world to the people of this country has reduced the consumption very materially. There had been a large amount of hoarding of sugar, but I think all the trade evidence will show that that took place at an earlier period entirely than the one we are discussing, and that from that period on there has been a gradual reduction in sugar consumption by voluntary action through the entire people.

Senator LODGE. The amount of the reduction in consumption relates rather to another question. But do you mean to say that predictions emanating from you of a sugar shortage would not have an effect on the market?

Mr. HOOVER. I do not know whether it had an effect on the market or not. It may have had.

Senator LODGE. Did it have a tendency to advance prices?

Mr. HOOVER. It does not seem to me that that was the cause of advancing prices. The cause of the advance in the price of sugar at that time was the larger allied buying of Cuban sugar in competition, and the general all-around struggle to obtain the remnant of the supplies. My attention has been called to the Spreckels Refining Co.'s report of the 28th of June, at this precise period, when these statements were supposed to be made, stating that the market

has been dull for the last six weeks. This would cover the entire period since the statement which you attribute to me was made. In other words, I make a supposed alarming statement some time in the month of May, and on the 28th of June a trade circular states the market had been dull since that time. I should like to put it in the record, if I may.

(The circular referred to was marked "Exhibit No. 167," and is here printed in full in the record as follows:)

SUGAR MARKET REVIEW.

THE FEDERAL REPORTER,
91-93 Wall Street, New York, June 28, 1917.

Raw sugar.—Our market has been steadily developing strength since our last review. On Monday refiners and operators took 125/150,000 bags Cubas, afloat, for prompt and July shipment, at 5 cents, cost and freight, and Porto Ricos, afloat, and for prompt shipment sold at 5.82 cents delivered. On Tuesday operators paid basis 5 1/16 cents, and then 5⅛ cents, cost and freight, for July shipment Cubas. B. H. Howell Son & Co. bought a small lot of Cubas for July shipment at 5 1/16 cents, and the Warner Sugar Refining Co., about 30,000 bags Porto Ricos, for June-July shipment, at 5.95 cents delivered. Sugars left for prompt shipment were in the greatest demand, and the Federal Sugar Refining Co. paid 5⅛ cents, cost and freight, for 7,000 bags Cubas, after which 20,000 bags, for July shipment, sold at 5⅛ cents, cost and freight to operator, and 7,000 bags to the Federal Sugar Refining Co. Yesterday the market opened with sellers generally asking 5¼ cents, cost and freight, and the following business was finally concluded:

To B. H. Howell Son & Co.: 20,000 bags Cubas, July shipment, at 5⅛ cents C. & F. basis 96°; 23,000 bags Porto Ricos, July shipment, at 6.02 cents, c. i. f. basis, 96°.

To operators, 10,000 bags Cubas, second half July shipment, at 5¼ cents cost and freight, basis 96°.

To local refiners, about 63,000 bags Cubas, prompt and July shipment, at 5¼ cents cost and freight, basis 96°.

To Revere Sugar Refining Co., 23,000 bags Porto Ricos, first half July clearance, at 5.14 cents c. i. f., basis 96°.

To Federal Sugar Refining Co., 1,700 tons San Domingos, July shipment, at 5 cents c. i. f., delivered basis 96°. Sale Cubas, July loading, at 4.90 cents f. o. b. Cuba, basis 96°; particulars withheld.

Owing to the continued demand from the domestic trade for refined and from abroad for both refiner and raw sugars, the market was very strong at the opening this morning, and sales are reported to the Federal Sugar Refining Co. of about 27,000 bags Cuba centrifugals for July shipment at 5 5/16 cents, cost and freight, and 8,000 bags second half July shipment at 5⅜ cents, cost and freight. The Warner Sugar Refining Co. secured about 12.000 bags Colombian centrifugals on the spot at 5⅜ cents c. i. f. and about 25,000 bags for second half July shipment at 5⅜ cents, cost and freight. Operators also purchased 5,000 bags for late July shipment at 5⅜ cents, cost and freight. Europe recently paid as high as 4.90 cents f. o. b. Cuba, and it is believed that, owing to the stronger market, that business might be done at a higher figure. That sellers, who have been patient on a dull market for the last six weeks, have accomplished their purpose of making sales at full prices is not surprising, as it was apparent that refiners' reserve stocks were working steadily lower, and with an improved demand for refined before them it can be only a comparatively short time before they were again forced into the market at asking prices. The ability of sellers to maintain their position is largely attributed to the fact that, including spot stocks, not more than approximately 900,000 tons of sugar would come in sight from Cuba during the balance of the crop. Of this amount and part of the purchases this week, not less than 300,000 tons was already under contract either with the British commission or the American refiners. The balance of the supply was in the hands of strong interests, who were well able to carry their stocks until the market was in a position to absorb them, and it is quite evident that they were prepared to maintain their advantage.

Figures for the United States four ports June 27 were:

			1917.	1916.	1915.
Receipts for week	55,704	Last week	36,351	51,141	60,279
Meltings for week	62,000	Last week	59,000	55,000	61,000
Total stock	302,718	Last week	309,014	244,858	398,141

Cuba.—Our agent in Habana, Mr. H. A. Himely, cables us as follows:

	1917 six ports.	1916	
		Six ports.	Outports.
Receipts	22,113	16,500	14,500
Exports	38,622	61,500	30,500
Stock	550,268	517,000	182,000
Centrals (grinding, 6 ports)	8	16	.....
Exports North Hatteras tons	.....	15,042	53,000
Exports, New Orleans do	.....	5,845	6,000
Exports, Europe do	.....	17,735	30,500
Galveston do	.....	.....	2,500

A comparison with previous years gives the following:

Crop.	Centrals.	Received to a date corresponding week.	Outturn.
1916–17	.....	2,123,348	[1] 2,900,000
1915–16	16	2,831,118	3,006,624
1914–15	20	2,322,852	2,582,845
1913–14	13	2,381,827	2,596,567

[1] Estimated.

The weather has continued rainy, and most of the centrals have now shut down for the season, there being only 8 centrals grinding on June 28, against 16 at the same time last year.

Europe.—While Europe has been a steady buyer in Cuba at advancing prices, we hear of no further business in refined sugars, although we are of the opinion that business could be done for export on the basis of 6.50 cents, but refiners now are firm at 6.75 cents and are not in a position to take much, if any, more business for July shipment. One of our correspondents in the U. K. writes as follows under date of June 11:

"In one of your circulars you say that reports have it that the British commission has made some purchases of the new crop. If they have. the quantity must be quite small. All one can hear is that Maclaines have bought about 20,000 tons just lately, but whether for the Government is unknown. The position in Java is one of extreme depression. The crop is a very large one, and the Chinese who bought largely some time ago at much higher prices have fallen sharply, and the quotations c. f. Calcutta are now only 20/— for whites and 17/6 for browns June–July shipment. Seeing that the difference between c. f. Calcutta and f. o. b. Java is about 3/—, we have the extremely low figures of 17/— for whites and 14/6 for browns f. o. b. Java. At these attractive prices we should think that the Government would find some ships somewhere."

Domestic beets.—Continue to be sold in the western territory at the usual differential under cane.

Refined sugar.—The demand has been steadily increasing, with the result that yesterday, in sympathy with the higher raw market, prices were advanced to 7.75 cents by the Federal Sugar Refining Co., Warner Sugar Refining Co., and Arbuckle Bros., after which B. H. Howell, Son & Co. withdrew from the market. and the American Sugar Refining Co. again adopted the policy of accepting only a moderate business at their full list price of 7.50 cents, turning down most of the business that was put before them. Previous to the advance considerable business was done by the different refiners on the basis of 7.50 cents. This morning Messrs. Arbuckle Bros. and B. H. Howell, Son & Co. were

about out of the market, and the American Sugar Refining Co. are only sellers in a very limited way. The Federal Sugar Refining Co. and the Warner Sugar Refining Co. are selling moderate quantities at 7.75 cents, but owing to the increasing demand it looks as though prices would soon have to be advanced still further. There are buyers at 6.65 cents f. o. b. for export. but most refiners are not in a position to consider this business, although it is equal to fully 7.90 cents for domestic.

Late this afternoon the Federal Sugar Refining Co. advanced their list price to 8 cents. It is reported from the West that C. & H. are firm at 7.75 cents, and that beet sugars are withdrawn from the market in all territories.

Carloads of sugar.—The following letter received from the New York Central Railroad covers the railroad's position with regard to the loading of cars:

"I am advised by our superintendent, Mr. G. H. Wilson, that the Commission on National Defense are complaining to the railroads that shippers are not loading their cars to carrying capacity, and instructs me to ask if you will not arrange at once to load cars of sugar forwarded as near as possible to their carrying capacity, which, of course, would reduce the number of cars used by you and will allow same to be used to good advantage at some other point.

"I will be glad to have you advise if you will cooperate with the railroads in this matter and load the cars as near as possible to their carrying capacity."

If we loaded 150 barrels or, say, 600 bags to the car, it would conform more nearly with the railroad's idea of what should be done.

We have before us a diagram drawn up by the Pennsylvania Railroad showing 100 barrels of sugar in a car, leaving it a little more than one-third full. Alongside is a diagram of a car about full containing 244 barrels. The same relative position prevails with bags. Two diagrams are drawn, one showing 400 bags in the car and the other 1,000 bags. We ourselves have shipped as much as 800 barrels in a car.

That there is a car shortage and that everybody should do all they can to facilitate the movement of freight is unquestioned.

Yours, very truly,

THE FEDERAL REPORTER.
FRANK C. LOWRY.

The CHAIRMAN. You quoted that?

Mr. HOOVER. No; I just mentioned that as a part of the report.

The CHAIRMAN. Will you let me see it [examining report]?

Mr. HOOVER. And I think if you will look at the chart which was introduced by Mr. Rolph you will find that the rise did not take place at the period we are discussing, but at a much later period.

The CHAIRMAN. I do not see the expression quoted by the witness. I will ask the reporter to read the expression quoted from this document.

(The reporter read as follows:)

On the 28th of June a trade circular states: "The market has been dull since that time."

Mr. HOOVER. No; I think there is a mistake there.

The CHAIRMAN. This is the statement. I read from this circular:

Owing to the continued demand from the domestic trade for refined, and from abroad for both refined and raw sugars, the market was very strong at the opening this morning, and sales are reported to the Federal Sugar Refining Co. of about 27,000 bags of Cuba centrifugals, for July shipment, at 5 5/16 cents, cost and freight, and 8,000 bags, second half July shipment, at 5⅜ cents, cost and freight. The Warner Sugar Refining Co. secured about 12,000 bags of Columbian centrifugals on the spot, at 5⅜ cents, c. i. f., and about 25,000 bags, for second half July shipment, at 5⅜ cents, cost and freight. Operators also purchased 5,000 bags, for late July shipment, at 5⅜ cents, cost and freight. Europe recently paid as high as 4.90 cents f. o. b. Cuba, and it is believed that, owing to the stronger market, that business might even be done at a higher figure.

I am now approaching the language you read or partially read [continuing reading]:

That sellers, who have been very patient on a dull market for the last six weeks, have accomplished their purpose of making sales at full prices is not

surprising, as it was apparent that refiners' reserve stocks were working steadily lower, and with an improved demand for refined before them, it can be only a comparatively short time before they were again forced into the market at asking prices.

Mr. HOOVER. You will agree that the general state of the market had been dull for six weeks, which is the point in discussion.

The CHAIRMAN. I do not care to get into a discussion, but the language of the context is very different from the statement that sugar prices had been dull. On the contrary, that showed sugar prices had been high—strong.

Mr. HOOVER. I would like to call attention to the figures showing that that strength began on the 28th of June, while these statements you are calling my attention to were made in the month of May, and did not materially affect the prices at the time.

The CHAIRMAN. The statement relates back to the prices that had obtained, and of course would cover that period; and I do not want to have any discussion about it. I simply wanted the context to be in correctly, and I read it in, and that speaks for itself.

Senator LODGE. The prices advanced, however, after that, did they not?

Mr. HOOVER. If I had the chart that was introduced here I would be able to show you the exact point where prices began to advance, which was somewhat after this discussion took place.

Senator LODGE. That circular you read was in June, was it not?

Mr. HOOVER. June 28; yes.

Senator LODGE. It was up to 5⅜ cents then, and in July they went to 5¾.

Mr. HOOVER. And in August as high as 7.77, I believe.

Senator LODGE. Six and one-half, cost and freight. The advance was steady, was it not?

Mr. HOOVER. If you would allow me that chart, I think I can show you that the advance took place——

Senator LODGE. I have seen that chart.

Mr. HOOVER. That the advance took place some time after the 1st of July, and more acutely in August. I have here now, in fact, a copy of the chart, showing that prices descended from the middle of April until the middle of June, and then rose fairly steadily until August; and therefore if my statement had any effect on prices it must have been rather one of depression than otherwise.

Senator LODGE. You do not think, then, that your statement about a shortage had any effect on prices?

Mr. HOOVER. The chart does not show it.

Senator LODGE. Did you cease to suggest a shortage in foodstuffs on the 20th of May?

Mr. HOOVER. No; I did not cease. I have not ceased down to the present moment, and we continue to agitate all we can for the reduction of consumption by pointing out the difficulties in the world's food supplies.

Senator LODGE. How about the domestic crops?

Mr. HOOVER. I have not the detailed figures here. Perhaps you have them.

Senator LODGE. I wanted to ask you about the domestic crops and get your estimate on those crops, if you made any at the time.

Mr. HOOVER. I made no estimate of my own. I had no machinery for making an estimate. I took the ordinary trade circulars at the time.

Senator LODGE. Roughly, how did you estimate the domestic crops?

Mr. HOOVER. I do not recall now. I merely read the trade figures at the time. I made no special estimate of my own. It was not until after the food bill passed that I was able to take any adequate survey of the food situation.

Senator LODGE. Then your predictions of shortage, that made of a definite reduction of 1,500,000 tons in Cuba—your predictions of shortage did not apply to the domestic crop, because you did not know anything about it.

Mr. HOOVER. I knew what the ordinary trade prospects were.

Senator LODGE. I will have the figures here in a moment. The Cuban crop turned out as the largest, did it not, that we have ever had?

Mr. HOOVER. I believe so.

Senator LODGE. I have not here the estimates for the crops of this year—I mean the Hawaiian crop and the Porto Rican crop. Beet sugar is not in this. What I want to get at is your estimate of the domestic crops—Louisiana, Porto Rico, Hawaii, and the beet sugar. I see they are down here on this. The Porto Rican crop was somewhat larger, I think, was it not?

Mr. HOOVER. I have not the figures with me. I suppose those are correct.

Senator LODGE. I had the figures here, and I must have mislaid them, giving the comparative crops; but roughly speaking, the domestic crop was, if anything, somewhat larger than the crop in the previous year. Not much; about the same. It fell off in Louisiana, and increased comparatively, as I remember, in Porto Rico, and was slightly smaller in Hawaii, making the total, as shown by these figures here, about the same as those of the previous year for the American field. I have here figures which show the total sugar crop for America, including the British West Indies, San Domingo, Mexico, Central America, and South America. The total in America, which would be practically all accessible, would it not, to the allies—to us?

Mr. HOOVER. Certainly.

Senator LODGE (continuing). Is given in the Sugar Trade Journal as 5,522,734 tons as against 5,322,225 tons for the preceding year, so that for the whole American field was a larger production than the preceding year.

Mr. HOOVER. I believe so.

Senator LODGE. Was it not also true of our own field; that is, did we not produce, in round numbers—the Cuban crop is estimated here, and this is May 10—at 3,000,000 tons, but we have later figures than that.

The CHAIRMAN. It is 3,600,000 tons.

Senator LODGE. That is for next year, 1917–18?

The CHAIRMAN. Yes.

Senator LODGE. It is 3,023,000 for this year. This is the latest. showing the crop. It is 3,023,000 for this year; Louisiana, 271.000—I am giving it in round numbers—Texas, 6,000; Porto Rico, 448,000:

Hawaiian Islands, 579,000; the West Indians—that is, the Danish Islands—7,787. The beet sugar crop was 734,000 tons, making, in round numbers, for what may be called the United States proper, including Cuba, something over 5,000,000 tons, is it not?

Mr. HOOVER. I should think that is probably correct.

Senator LODGE. At what do you estimate the consumption in the United States?

Mr. HOOVER. I have here the Department of Agriculture figures for the fiscal years. For the fiscal year ending June 30, 1914, they gave it as (fiscal year 1913–14) 3,925,801 tons.

Senator LODGE. Short tons?

Mr. HOOVER. Long tons. For the year 1914–15 they give 3,851,327 tons.

Senator LODGE. Long tons?

Mr. HOOVER. Long tons; and the fiscal year 1915–16 they give 3,553,733 tons. Fiscal year ending June 30, 1917, they give 3,777,640 tons. The average of the years 1914–1916 is 3,776,952 tons, so that the consumption for the fiscal year ending June 30, 1917, according to their figures, was only 688,000 tons above the normal. I will say that all kinds of figures may be obtained, and the Department of Agriculture, I think, may be looked upon as undoubtedly reliable.

Senator LODGE. I was looking for some figures which I could not put my hands on, and I have them now. They are for the fiscal years, taken from the Statistical Abstract, and calendar years, calculated by Willett & Gray. Willett & Gray for the calendar year of 1916 gave 3,658,607 tons, and the fiscal year consumption of sugar, according to the statistical estimate, is 3,981,081 short tons. Willett & Gray calculate short tons in 1916 at 4,097,640 tons. Of course the figures are not yet complete for 1917, I take it.

Mr. HOOVER. There is a wide variation in all of the figures, and I do not know how to explain it.

Senator LODGE. This makes a confusion with respect to short and long tons; but I think the Cuban crop is figured in long tons, and I am not sure, but I believe our domestic crop is figured in short tons.

Mr. HOOVER. A good deal of it.

Senator LODGE. It makes it somewhat difficult to get at the figures. In the Bulletin No. 6, distributed by your office, there is something that puzzles me very much. You say the normal American consumption is about 90 pounds per person per annum. The statistical abstract gives that per capita consumption at 78.13 pounds, and Willett & Gray at 79.34 pounds. Which is correct?

Mr. HOOVER. I am totally unable to tell you. I have four or five different estimates.

Senator LODGE. You state 90 pounds per person per annum.

Mr. HOOVER. I could find out where that estimate came from. Our statistical department compiled it.

Senator LODGE. It says here that about 2,000,000 tons must come from new sources—that is, to France, Italy, and the United Kingdom.

Mr. HOOVER. Yes.

Senator LODGE. Is that after allowing for the reduction in consumption?

Mr. HOOVER. I imagine that is to preserve their normal.

Senator LODGE. That is what I understand. The amount they are obliged to take is less than that, is it not?

Mr. HOOVER. Yes. They preserved a fairly normal consumption up to some time in May or June, and then began drastic reductions when they saw the supplies in the Western Hemisphere would not be sufficient.

Senator LODGE. You mean they did not begin to reduce the consumption of sugar until last May?

Mr. HOOVER. They did not make any very great reductions. They made some, but not of such volume as they put in force along, I suppose, to be accurate, in July.

Senator LODGE. Was it a substantial reduction?

Mr. HOOVER. Yes. The French ration was reduced to 750 grams, and subsequently to 500 grams per month.

Senator LODGE. When did they make the first reduction to 750?

Mr. HOOVER. I do not remember the precise date.

Senator LODGE. Before last spring?

Mr. HOOVER. I should judge so. I shall have to find out for you. I can find out.

Senator LODGE. How much did you estimate they had to get from this country?

Mr. HOOVER. There are two reductions in force that should be borne in mind—one the household supply and the other the manufacturing supply.

Senator LODGE. I understand.

Mr. HOOVER. And the reduction first goes against the manufacturer and subsequently against the householder.

Senator LODGE. Of course, both are included in these per capita figures.

Mr. HOOVER. If they were to maintain the ration in force in England and France all of last winter, at the time I was there, we estimated they would require, I think, about 800,000 or 900,000 tons further. I shall have to get those figures out for you. I do not carry them in my mind as to definite dates. If they did not make drastic reductions in August, instead of taking three hundred thousand and odd tons from both ourselves and Cuba after that date, they would have had to take in something over 500,000 tons.

Senator KENYON. That is both countries?

Mr. HOOVER. Yes. Therefore, what they did get was purely a reciprocal of what we were able to spare from this side.

Senator LODGE. The exports of refined sugar, January 1 to November 30, 1916, amounted to 648,406 tons refined and 730,933 tons of Cuban raws. There is a difference, of course, in the amount of refined sugar that they had in 1917 and in 1916, and a difference in the amount of raws, but whether refined or raw these sugars all came out of the American fields.

Mr. HOOVER. Yes; both those last.

Senator LODGE. And the total in 1916 was 1,378,000 tons and in 1917, 1,318,000 tons.

Mr. HOOVER. And they also obtained increases from Java and elsewhere?

Senator LODGE. Yes; but I am speaking of what they got out of our field. I shall get the exact figures and put them in later, but I do not know whether those exports are calculated in short or long

tons. Do you know how our exports are calculated—in short or long tons?

Mr. HOOVER. No.

Senator LODGE. We can find out by asking the customs authorities. Our total American production, United States, including Cuba, was something over 5,000,000 tons. Take out 1,300,000 tons and that leaves about 3,700,000 tons, which is pretty nearly the average consumption, is it not?

Mr. HOOVER. It depends on whether it is calculated in short or long tons, to start with, and also Canada has to be provided for.

Senator LODGE. Don't you know how that is figured? I have it in short tons and long tons, both.

Mr. HOOVER. I have the consumption in long tons.

Senator LODGE. I have it in both short and long tons. They give it in the Sugar Trade Journal simply as tons; they do not say whether long or short. I shall have the figures in long tons in a moment. I knew some of the domestic tonnage was figured in short tons, but are not the sugar statistics given in long tons, as a rule? Take Willett & Gray, for instance—leaving out beet sugar.

Mr. HOOVER. That I do not recollect. There is some one here who will probably know. I have some of Willett & Gray's statements here, in which they are given in long tons for total consumption.

Senator LODGE. Yes; I understand they are given in long tons, and I have also Willett & Gray's figures. They put the long tons at 3,658,607 for 1916. I was in hopes you would have those figures already worked out in that way. Have you not got them at your office worked out on the basis of short or long tons?

Mr. HOOVER. Yes; I can get them for you.

Senator LODGE. Including the beet-sugar crop?

Mr. HOOVER. Yes.

Senator LODGE. I merely want to get some total figures that we can go on.

Mr. HOOVER. I have thought the committee had the figures before them, or I should have brought them.

Senator LODGE. We have all of the figures, but it is this trouble about long and short tons. The total number of long tons of the United States and Cuba, 1916–1917, was 4,336,765, and the beet-sugar crop is 734,000 tons.

Mr. HOOVER. I have a note here from my secretary saying that Willett & Gray's figures are in long tons unless otherwise specified, and that applies to their figures for consumption and export; but the Government export reports are in short tons, as also the domestic reports.

Senator LODGE. Yes. The Government report is in short tons and Willett & Gray have long tons reduced to short tons, unless otherwise specified. They have got that as 734,577 tons. That would make 5,071,542 tons as the total of what we may call the United States field; and the United Kingdom and Europe—which I suppose means France and Italy—took 1,318,463 tons. That leaves just what I stated in round numbers, 3,753,079 long tons, for consumption.

Mr. HOOVER. From which, Senator, you also have to provide for Canada and sundry neutrals, South American and otherwise.

Senator LODGE. Well, we have the Canadian import—3,515 tons of Cuban raws.

Mr. HOOVER. The Canadians consumed nearly 300,000 tons.

Senator LODGE. I was speaking of their draft on the Cuban crop.

Mr. HOOVER. They have to get it either through here or from Cuba.

Senator LODGE. They took the raws and have been refining their own sugar. That was for this year. So that you think we ought to be prepared to supply between 1,300,000 and 1,400,000 tons?

Mr. HOOVER. Well, it is a little difficult to approach it. We have made as careful an estimate as we can of next year's probabilities in trying to get at this crop.

Senator LODGE. Judging from the past, that would be about it. It was 1,378,000 last year and 1,318,000 this year.

Mr. HOOVER. The amount that they wish to draw from the Western Hemisphere is rather larger next year, but it is confused with the Java question.

Senator LODGE. Yes. Of course, if they could get that stored supply of Java it would relieve the situation.

Mr. HOOVER. Entirely.

Senator LODGE. But do those figures leave a serious shortage in the United States?

Mr. HOOVER. My impression is that the revolution situation left us short a matter of about 300,000 tons.

Senator LODGE. For the year?

Mr. HOOVER. Well, it impinged on the last quarter of the year.

Senator LODGE. If you assume that the Canadian requirement is that——

Mr. HOOVER. The Canadian requirement must be close to it, because we are providing the Canadians with 320,000 tons in our estimates next year.

Senator LODGE. Yes; but our consumption in long tons was 3,658,000 for the calendar year 1916.

Mr. HOOVER. That is higher than the previous years.

Senator LODGE. No; it was 3,801,000 in 1915 and 3,760,000 in 1914.

Mr. HOOVER. 3,743,000 in 1913, 3,760,000 in 1914, 3,801,000 in 1915, and 3,658,000 in 1916. It shows a falling off in 1916.

Senator LODGE. Yes; a falling off in 1916.

Mr. HOOVER. That is only another indication of the difficulty of these figures. The consumption figures must bear a relation to the stocks in the country, which are very difficult to determine.

Senator LODGE. The Bureau of Statistics and Willett & Grey agree in the proportions. That is to say, one is calculated in short tons. In fact, Willett & Grey are a little bit higher than the Government. The Government puts the consumption at 3,980,000 short tons for 1916, while Willett & Grey put it at 4,097,000.

Mr. HOOVER. I understand that all those figures are based on simply taking into account the stocks of raw sugar lying in the refinery or warehouse and do not take into account the variable amount of stocks of refined sugar in the country. It might well vary by 200,000 tons; so that the consumption can not be accurately figured on simply these import and export statistics, less that minor proportion of stocks.

Senator LODGE. No; what I was endeavoring to get at was what was required normally in the United States, without any attempt at saving. The production of the United States field, including Cuba, comes pretty near giving the supply that the allies have taken in the

last two years and the normal consumption of the United States and Canada.

Mr. HOOVER. Just my impression is that it left us about 300,000 tons short.

Senator LODGE. Yes; about the Canadian consumption last year.

Mr. HOOVER. Yes.

Senator LODGE. About that. It has been stated here in testimony that there has been a greatly increased consumption of sugar in the United States in the past year. The figures do not bear that out.

Mr. HOOVER. Those figures are based on a comparison with 1916, which was apparently an abnormally low year. If we take the three years before that, the consumption this year, so far as the Agricultural Department's statistics go, shows no appreciable increase in consumption.

Senator LODGE. No appreciable increase?

Mr. HOOVER. No.

Senator LODGE. But no decrease?

Mr. HOOVER. No.

Senator LODGE. It was stated here in testimony a great deal of sugar, an unusual amount, had gone into canning.

Mr. HOOVER. I think that is undoubtedly the case.

Senator LODGE. You recommended that, did you not?

Mr. HOOVER. I did. Primarily, the Department of Agriculture undertook that campaign; but, of course, we were all in favor of it.

Senator LODGE. I think you made a statement in regard to it.

Mr. HOOVER. We have been in favor of it, if that is the point—very much so. It has a large conservation value to preserve the fruit.

Senator KENYON. Mr. Hoover, while they are rationing people in England on sugar, they are permitting them, are they not, to use any quantity of sugar in the making of jams?

Mr. HOOVER. They are encouraging it in every possible way.

Senator KENYON. On the theory that it is a measure of conservation?

Mr. HOOVER. It is a measure of sugar conservation, in fact. Sugar goes farther in jam than it does as sugar.

Senator KENYON. That is your idea as to the canning?

Mr. HOOVER. That is our view as well. Also it saves butter.

Senator LODGE. The statement on sugar occurs in Bulletin No. 2. It says:

> The home should be the center for the production and storing of canned fruits and vegetables, jellies, and preserves. It should have its bags and boxes of dried fruits, vegetables, and cereals. By the use of sugar in preserving fruits and fruit juices, we can save materially on butter?

Mr. HOOVER. That has proved to be the case in all European experience.

Senator LODGE. And therefore the increased demand for sugar for canning was recommended by your administration?

Mr. HOOVER. Absolutely.

Senator LODGE. You have also done a great deal in the direction of promoting conservation of food products, and particularly sugar, have you not?

Mr. HOOVER. We have done as much as we could do from a purely voluntary point of view and, I think, more or less equalized the

increased amount that went into canning by a reduction in consumption, so that we have diminished the difficulties by that amount.

Senator LODGE. Of course it is impossible to get anything resembling accurate figures as to what amount has been saved.

Mr. HOOVER. No. The only real indications are the reports of the candy manufacturers of decreased sales, and that sort of thing.

Senator LODGE. Judging from my own neighborhood, from Boston, there has been a great deal of saving.

Mr. HOOVER. I believe there has been a very great deal throughout the country.

Senator LODGE. And that includes sugar?

Mr. HOOVER. Yes, sir.

Senator LODGE. Do you expect an increase in the saving of sugar in the coming year?

Mr. HOOVER. On the program which we have worked out together with the allies, we could get through next year if we could make a reduction of about 300,000 tons—it is a close shave—in our consumption; say 10 per cent. How far that can be accomplished is yet to be seen. It certainly could be accomplished, I might mention, if we had some legislation by which we could control the manufacture and use of sugar.

Senator LODGE. You mean candy and soft drinks and things of that sort?

Mr. HOOVER. Yes.

Senator LODGE. Have you recommended a limit of three pounds per month for each person?

Mr. HOOVER. Yes; during this period.

Senator LODGE. During the coming year?

Mr. HOOVER. No; until such a time as we can see our way more clear. These recommendations that we make are made from time to time as the situation develops.

Senator LODGE. That would mean a per capita consumption of 36 pounds per year, would it not?

Mr. HOOVER. For household consumption.

Senator LODGE. But the per capita figures here that we have from the total consumption of sugar of course include all sugar consumed in any way.

Mr. HOOVER. Quite true. Our rough estimate—I may say that these figures are very obscure, even after a great deal of study, as to the ratio of sugar used in manufacture as against household purposes—our rough view is that the household consumption is somewhere from 50 to 55 pounds, and we are recommending 36 pounds to get over this difficult period. My one desire would be to give the normal consumption for household purposes.

Senator LODGE. These per capitas that we have been considering here, which you put at 90 and which they put at 74 or 78——

Mr. HOOVER. I think, Senator, I might inject there that in most of the statements we have gotten out 80 has been the figure used.

Senator LODGE. Well, it is in the neighborhood of 75 pounds. Now, that is arrived at by simply taking the total consumption of sugar and dividing it by the total number of people in the country.

Mr. HOOVER. That is it.

Senator LODGE. It draws no distinction between what goes into manufactures and what is consumed in the household.

Mr. HOOVER. No.

Senator LODGE. Senator Kenyon wants to know what your estimate is of the lowest amount of sugar that a normal human being requires. I am unable to answer that myself.

Mr. HOOVER. That is more or less a question of morale. The use of sugar has grown during the last 100 years into our culinary and dietetic life to act as a sort of binding material on which our cuisine so largely revolves. Therefore the maintenance of the household consumption is desirable beyond all question; and to cut the sugar consumption in the household too low has a more depressing effect, infinitely, on a population than to cut off its manufacturing use.

Senator KENYON. Have not France and England figured out some amount that a normal human being must have, and tried to ration them?

Mr. HOOVER. Their belief is that it should not fall below 2 pounds for the household consumption.

Senator LODGE. Two pounds per capita?

Mr. HOOVER. Yes. They are running lower than that at the moment.

Senator JONES. Two pounds per capita per month?

Mr. HOOVER. Per month.

Senator LODGE. Is it not also true that among the soldiers in the field there is a great craving for sugar and sweet things?

Mr. HOOVER. There is; and the consumption of the soldiers is enormously increased. It probably runs into 100 or 120 pounds per capita per annum; and that very fact of this mass of soldiers in that position greatly obscures all questions of European reduction in consumption, because they have put no limits on the soldiers' use of sugar. In fact, in some cases they issue sugar as a special ration for hard work.

Senator LODGE. You also state in one of these bulletins that there has been an increased demand for sugar in what is known as dry territory.

Mr. HOOVER. Yes. That, I think, has developed.

Senator LODGE. But according to the figures we receive, all of that seems to be in some way offset—the increase in canning and the increase in the dry territory—it seems in some way to be offset, probably, as you suggest, by the amount of saving.

Mr. HOOVER. I believe so.

Senator LODGE. If we should reduce the per capita consumption to 3 pounds, that would make 36 pounds a year.

Mr. HOOVER. That is, household consumption; yes.

Senator LODGE. Yes; household consumption. Have you no estimate as to the proportion of consumption between household consumption and what we may call, roughly, manufacturing consumption?

Mr. HOOVER. Our rough estimates show, as I said, from 50 to 54 pounds household consumption, and the balance up to 80, let me say, for manufacturing consumption.

Senator LODGE. But I mean the percentage consumed in the household.

Mr. HOOVER. I may say that we had a study made of this, and the figures by different persons vary all the way from 20 per cent for manufacturing purposes to 60.

Senator LODGE. That is rather a wide margin.

Mr. HOOVER. And we have at the present moment no machinery for getting an accurate estimate of it. There are some manufacturing uses of sugar which could be suppressed without throwing the country into any difficulty, such as its use in tanning leather and things of that kind.

Senator LODGE. It is not possible to tell accurately on the per capita figures.

Mr. HOOVER. No. We are conducting a study at the present moment which I hope will illuminate the matter.

Senator LODGE. I mean to divide them into the different items.

Mr. HOOVER. It is very difficult. The difficulty lies in the fact that so much of the manufactured sugar is bought from the retail trade—the little local manufacturers of soft drinks and of candy, etc., who buy from the local retailer—so that if we separate the trade into the direct sales from refiners to manufacturers and from refiners to retailers we do not secure the whole picture.

Senator LODGE. But if the people generally complied with the desire to reduce the consumption to 3 pounds for each person that would make a very large reduction, would it not?

Mr. HOOVER. It would, and I hope it is a larger reduction than will be necessary.

Senator LODGE. Basing that on the rough figures of the per capita consumption, which are obtained simply by dividing the total sugar by the total number of people, basing it on that, with a reduction to 3 pounds per capita, or 36 pounds a year, the domestic production in the United States being roughly 2,100,000 tons, which is about 44 pounds per capita, our own domestic sugar without regard to Cuba would be able to supply the whole country, would it not?

Mr. HOOVER. If we eliminated practically the whole manufacturing use of sugar, which I do not think would be desirable.

Senator LODGE. But in that per capita consumption there the totals, of course the manufacturing use is included.

Mr. HOOVER. Oh, yes.

Senator LODGE. In some way the American people consume 75 pounds of sugar per capita per year.

Mr. HOOVER. If we could reduce it to 44, we would get within our own production, approximately.

Senator LODGE. We would get within our own production. You do not think it would be possible, then, to bring the manufacturing consumption predicated on a per capita basis down as low as the household consumption?

Mr. HOOVER. I do not know as yet how far that can be done and how far it is desirable, but there is so large an industry founded on the manufacture of sugar, and it affects to so large an extent people of a character that can not find employment in other industry that it is a serious proposition as to how far one would want to force a reduction in the consumption of manufactured sugar. I understand that about 250,000 people are employed in the candy industry, for instance, and it would be a serious thing to throw those people entirely out.

Senator LODGE. Extremely.

Mr. HOOVER. It is therefore desirable to approach it from another point of view, endeavoring to reduce the actual amount of the sugar consumed by those industries to some figure that would ameliorate the situation and allow them to continue.

Senator LODGE. Would it be possible to bring them down to 3 pounds a month per capita?

Mr. HOOVER. I would not want to say how far it could be done. I think they could reduce by 20 per cent without injuring their business materially. If they reduce the consumption of sugar, that does not mean that they could not make sweetmeats to somewhat near their previous output.

Senator LODGE. Ought not that saving as proposed, based on 3 pounds per capita, do a great deal more than close the gap between the supply in the United States field and the demands on it?

Mr. HOOVER. If it had universal adherence it would more than make up the case for next year, when the supplies become more freely available. For the present juncture, it is below what would be called for.

Senator LODGE. Before we recess, I should like to ask Mr. Hoover if he would be kind enough to bring with him this afternoon all the food bulletins that have been issued, especially those referring to sugar. We have some here, but I do not know whether we have them all. The committee would be obliged if you would bring the press bulletins or statements, or anything of that sort issued during the last 30 days.

Mr. HOOVER. I may not be able to get them by 2.15, but I will get them as quickly as possible.

(Thereupon, at 12.55 o'clock p. m., the subcommittee took a recess until 2.15 o'clock p. m.)

AFTERNOON SESSION.

The committee met, pursuant to the taking of the recess, at 2.15 o'clock p. m.

TESTIMONY OF HERBERT HOOVER—Resumed.

Senator LODGE. Before taking up the matter of prices, Mr. Hoover, I wish to ask you in regard to the Java sugar. There is a large amount of sugar in Java at this time, is there not?

Mr. HOOVER. It varies from 800,000 to 1,200,000 tons.

Senator LODGE. Estimated, roughly, at something over 800,000 tons?

Mr. HOOVER. Yes.

Senator LODGE. Has there been any opportunity during the past six or eight months to get any of that sugar?

Mr. HOOVER. As soon as the Food Administration was formed, they made a very great effort, in the months of August and September, trying to secure some Java supply. We endeavored to get some boats set aside by the Shipping Board.

Senator LODGE. Just there, before you go on: There were at Manila some German freighters that we had taken over, were there not?

Mr. HOOVER. Yes, sir.

Senator LODGE. I have not looked it up, but I have seen that there were some 20 or 25 freighters there.

Mr. HOOVER. I do not know the number. I do not think that number, however.

Senator LODGE. But there were some German freighters there?

Mr. HOOVER. Yes.

Senator LODGE. Which were not transports?

Mr. HOOVER. Yes.

Senator LODGE. Did you make an effort to secure those boats?

Mr. HOOVER. We did, and at one time we had some little prospect that we might be able to secure some sugar that way; but it developed that other cargo was more necessary, and the Shipping Board diverted them to other purposes.

Senator LODGE. Do you know what other purposes they were diverted to?

Mr. HOOVER. No; I do not recollect now.

Also, we endeavored to secure the Japanese—that the Japanese should transport some sugar here, but they were unable to undertake it. And we made efforts to secure some Dutch tonnage, but we were unable to secure that.

Senator LODGE. But this tonnage that was in control of the United States was there at Manila?

Mr. HOOVER. I presume so. They brought Manila sugar, some of them.

Senator LODGE. And they could have been used to bring the Java sugar?

Mr. HOOVER. Well, I presume so; but it was beyond our power.

Senator LODGE. I know; but you were refused by the Shipping Board?

Mr. HOOVER. Yes.

Senator LODGE. If that Java sugar could have been brought by these vessels in one or two voyages, it would have had a very great effect on the situation in this country?

Mr. HOOVER. To have brought 100,000 or 200,000 tons of sugar from Java would have required a vastly larger number of ships than were available. We might have gotten possibly 20,000 or 30,000 tons.

Senator LODGE. No more?

Mr. HOOVER. It is a very long voyage, and I doubt whether they could have gotten much more. At one time we contemplated trying to get 40,000 tons a month; that was our outside hope, but we failed on that.

Senator LODGE. If you had had those vessels and brought that sugar here——

Mr. HOOVER. It would have done something to have helped. It would have had an important effect.

Senator LODGE. As to the matter of prices, there was an effort made—has been an effort made—to take the price of sugar in different forms out of the operation of the natural laws of supply and demand.

Mr. HOOVER. Yes, sir; to this conception, that the sale of sugar beyond a certain price would constitute extortion and profiteering.

Senator LODGE. Yes. Well, I mean there has been an effort to take them by artificial means out of the operation of the law of supply and demand?

Mr. HOOVER. That is, we have set up voluntary agreements and put restrictions about the price they should give, which prevented a rise in sugar.

Senator LODGE. Well, that is a matter of deduction; that is a matter of opinion. But that was done. It is not worth while our differing about terminology. In principle it is the same, whether you have voluntary agreements or whether you have laws or combinations, or whatever it is, it is an effort to take a given article out of the operation of the natural laws?

Mr. HOOVER. Yes; I considered that, when there was a short supply and practically a famine situation, the law of supply and demand was practically suspended as an economic practice, anyway.

Sentor LODGE. You are very familiar with economists; you are familiar with history. Has price fixing in the past ever been a success, or undertaking to set aside the laws of supply and demand by any arrangement been a success in the long run?

Mr. HOOVER. Not over a long period of years; but in an emergency situation such as this is it has been a success. I do not know how long and under what conditions it would last.

Senator LODGE. When it was very elaborately tried during our Revolution and during the French Revolution—I think of those two cases—was there any case there where it worked?

Mr. HOOVER. I am not familiar with those historic instances. I only base my familiarity with the beginning of this war.

Senator LODGE. If there are any historic cases I should be glad to have you point them out.

Now, so much for this country. How did price fixing work in France and Germany?

Mr. HOOVER. It has worked with variable success.

Senator KENYON. What is the answer?

Mr. HOOVER. It has worked with variable success. My impression is and my conception is that it has greatly retarded the rise of prices; we can put it that strong. In cases I think it has actually effected reductions in prices.

Senator LODGE. The evidence on that point is somewhat conflicting, is it not?

Mr. HOOVER. We have the general fact that the prices in European countries are more moderate than they have been here.

Senator LODGE. Did it not bring up other difficulties—increase shortage?

Mr. HOOVER. I do not know whether that necessarily follows or not.

Senator LODGE. I was not on the ground, of course.

Mr. HOOVER. It is difficult to determine whether the shortages would have happened—such shortages were happening—whether they did happen from that cause or other causes, or what proportion of the causes had that effect.

Senator LODGE. You probably know about the authority I am going to cite, Gustave LeBon, who is one of the great scientific men of France, a distinguished biologist, and also publicist. Some of his books on psychology are very well known—for instance, a book which he wrote many years ago, which was translated into many languages, called "The Psychology of the Crowd." He wrote another book

called "The Psychology of Education," and another, "The Psychology of Politics," and "of Socialism." He has made a pretty elaborate study of the mental operations of masses of men in contradistinction to the individual mind. He has published recently another book in which he collects data on the psychologic conditions of many people. I say that to you in introduction of what I am about to say. Among the many things the operation of which on the popular mind he treats of is this price fixing which took place in France and in this country, and he lays great emphasis on the reversion to the old ideas of the French Revolution, and he points out in his citations of authorities the effect on the price of sugar, among other articles, both in France and in Germany, and the authorities he cites all seem to show that it was not successful and was in a large measure abandoned in both countries.

Mr. HOOVER. On the other hand, it must be manifest that all of the countries of to-day's war in Europe have been fixing prices to a greater or less degree, and an increasing degree as the war went on, until I think they have pretty well covered the range of commodities now.

Senator LODGE. I am not speaking of the Government taking possession of a product and rationing the people. That is a different proposition.

Mr. HOOVER. No; they have fixed the prices as well.

Senator LODGE. What prices have they fixed?

Mr. HOOVER. They have established, in England, maximum prices for flour—wheat flour—and bread. They have also established prices for meats, for pork products, and I am not sure whether there is a fixed price for sugar or not. Probably there is a fixed profit for rehandling sugar, because it is imported by the Government, and the price is not necessarily to be fixed.

Senator LODGE. You mean they have fixed the price to the trade, and have not taken possession of the article?

Mr. HOOVER. They have taken possession automatically of the wheat. They have fixed prices for the intermediate stages from thence on for the bread products. For potatoes they fixed the price without, so far as I know, having possession of the property. They fixed prices for pork products, and for fat products.

Senator LODGE. Without taking possession of the commodities?

Mr. HOOVER. No; and they have had control of a certain proportion of imports.

Senator LODGE. You mean they have established prices by law?

Mr. HOOVER. Yes; by legislation.

Senator LODGE. And it has worked well?

Mr. HOOVER. I do not consider that any of these economic interventions ever work with complete success. They are the lesser of two evils. The other extreme of the dilemma is high cost of living, constant vacillations of the wage scale, and difficulties that the country is plunged into by the rise of wages and the consequent inequalities that result from such rises. Many of the classes in the community are not able to secure the necessary rise in wages to meet the increased cost of living, and therefore suffer very materially; and it altogether becomes a choice between evils, and a matter of opinion which is the lesser evil.

Senator LODGE. In the hearing before the Agricultural Committee you say that a maximum price has proved a total failure in Europe in every case except where the Government owned enough of the commodity that it could control the market.

Mr. HOOVER. I believe that is the case, but price fixing is capable of a great deal of definition by way of nomenclature. Maximum prices I do not think have an effect—that is, the simple regulation that a price shall not exceed a certain amount. On the other hand, in the organized control of the distribution of a commodity it may be necessary to agree on a maximum-profit base in order to prevent profiteering, but it must be backed by some other engine than pure legal definition of price by regulation.

Senator LODGE. If the price is fixed, is it not necessarily a maximum price?

Mr. HOOVER. No; there is the question of establishing a definite, fixed price at which trading is done as distinct from a maximum price under which trade may be done.

Senator LODGE. But when you say a maximum price was a failure, which maximum price did you mean?

Mr. HOOVER. The price I mean is merely a legal regulation, that a given commodity must not be disposed of above a certain figure without providing behind it an organization to control its distribution.

Senator LODGE. I do not exactly understand what you mean by "control its distribution."

Mr. HOOVER. The situation will vary with every commodity. If the Government possesses, by way of control of imports, a sufficient quantity of the commodity and can deliver that commodity only to those persons who will maintain the price—a certain maximum price—who will not exceed it, it becomes possible to effectuate the maximum, but by simple legal regulation making a maximum price, I do not believe we will be successful. I believe that was the experience in Europe.

Senator LODGE. If you agree on a price for sugar or anything else, is it not an agreement that it shall not be sold above that price?

Mr. HOOVER. It necessarily follows.

Senator LODGE. That is a maximum, is it not?

Mr. HOOVER. That becomes a maximum, but it is not effective unless it has further organization.

Senator LODGE. Your statement was that it proved a total failure in Europe in every case except where the Government owned enough of a commodity to absolutely control the market.

Mr. HOOVER. Yes; and that is the case with our more recent experience here, or where we were able to organize a control of the commodity.

Senator LODGE. You state again that the maximum price has proved a failure in all cases except where the Government controls enough of the commodity, and then you undertake to make that clear by saying that the French Government imported last year about 25 per cent of their breadstuff requirements and bought those breadstuffs for the Government and used that as a club to maintain a maximum price, but that in all commodities where there is no club of that character a maximum price is a total failure.

Mr. HOOVER. Yes; that is the case. It is possible to develop other means of control behind the price.

Senator LODGE. Then, a controlled maximum, you think, is successful?

Mr. HOOVER. I think in the case of sugar we have a controlled maximum, where we have prevented the doubling of the price of sugar.

Senator LODGE. But what you have prevented, of course, is what you think you have prevented?

Mr. HOOVER. I would be very glad if you would take the evidence on what the price of sugar would probably be at the present moment if the precautions had not been taken.

Senator LODGE. Any evidence on that is merely what a man thinks it would have been.

Mr. HOOVER. There is some little evidence other than that. We have had a great many cases before us of dealers in sugar asking from 15 cents to 25 cents a pound, and we have ruled that these were cases of extortion, some of them, in flagrant cases, and the very fact that they have been able to sell sugar at these prices is evidence of where the price of sugar would have gone to.

Senator LODGE. You say on page 412, speaking of beans:

> By the use of that weapon, therefore, we would avoid the necessity of any maximum price on beans, or other futile devices that the consuming public clamors for.

Mr. HOOVER. That was the device of buying beans and importing them, placing them in the market. That has not been necessary, fortunately, because we have a large production of beans in the country, and it will take care of itself.

Senator LODGE. I was only taking up the question of principle, that is all.

Mr. HOOVER. At that time I think you will find I advocated the Government purchase of imported sugar, and had that been possible I think the voluntary agreements that have been set up to prevent extortion and profiteering would not have been necessary.

Senator LODGE. There are very drastic laws in regard to speculators and hoarders and profiteers, or whatever name you choose to call them. Could not those be employed to stop that?

Mr. HOOVER. The food bill has drastic powers on the subject of extortion and profiteering, but the determination of what profiteering is is rather difficult until after a period has elapsed, that is until after the crime has been committed, whereas, under the food bill there is power of voluntary agreement, and a voluntary agreement to establish what profiteering would constitute provides an immediate definition and an absolute prevention rather than a cure after the disease has taken hold. That was what we have endeavored to accomplish—a matter of prevention, not cure.

Senator LODGE. Under your system you come, do you not, to the fixing of an arbitrary price, which is both maximum and minimum?

Mr. HOOVER. No. We fix a price beyond which any charge will be considered extortion or profiteering and secure an agreement of the trades that they would themselves acknowledge that, in effect.

Senator LODGE. You fix an arbitrary price?

Mr. HOOVER. Competition is free to play below that price. I would not want to say we fix an arbitrary price. If you wish to call

it a maximum price I have no objection. It seems to me that the terms are practically synonymous, with the addition to it that it has an engine behind it to see that it is adequately enforced.

Senator LODGE. That is, fixing a maximum price by law would have no effect unless you have behind it a Government control of the commodity.

Mr. HOOVER. That is my belief. It has a temporary effect, no doubt, but has no value as a permanent venture.

Senator LODGE. Is not that price fixing?

Mr. HOOVER. I rather look on it from my own aspect of mind as profit fixing. It has the effect of fixing price.

Senator LODGE. It is practically to fix a price and take it out of the operation of the law of supply and demand?

Mr. HOOVER. Yes. The law, in my view, is suspended in these cases, anyway.

Senator LODGE. Suspending natural laws is always an interesting experiment.

Mr. HOOVER. I agree with you that it is the most difficult operation that can be conceived.

Senator LODGE. If you could get rid of the speculators and profiteers through the provisions of the law with provisions for punishment, why is it necessary to go beyond what a resonable amount would be?

Mr. HOOVER. At some point it would be necessary. Suppose you abandon all attempt at organization of a commodity; it would be necessary at some point to determine what extortion was, and therefore you would be coming back to get a determination of a fair price, and you would only make that determination after the event had happened, rather than to have attached the organization to prevent. Broadly, I might express it in this way, that my view of an effective law in these cases is that it is much less effectual than a voluntary organization of trade to carry out the national interests.

Senator LODGE. You think you could not deal with the speculators unless you fixed the price?

Mr. HOOVER. No; I do not think you could. I think by the time you come to prosecute the speculator you would have to fix the price automatically to determine what was profiteering and what was not.

Senator LODGE. What do you mean by fixing the price automatically?

Mr. HOOVER. By an agreement with the various trades concerned you may arrive at a price above which they will agree that it is extortion and profiteering, and you may so organize the distribution that the thing is unlikely to occur, except in most flagrant instances.

Senator LODGE. You think, then, that it is impossible to control the speculators except by having a fixed price?

Mr. HOOVER. I would not say the speculators so much as the dealers making an exorbitant profit.

Senator LODGE. The reason I ask these questions is because you said in the same hearing, speaking of wheat, at page 385:

> I think it is absolutely necessary to have complete power, because if you get voluntary control of 95 per cent of the elevators there will be 5 per cent of stinkers that will destroy the equity of the whole arrangement, so that you must have these complete powers so the 95 per cent can force the stinker into line, and there is no country where the 5 per cent of stinkers do not exist, even in war. We have them in Belgium, and that is a situation of infinitely more desperation than this.

Mr. HOOVER. Yes; and having agreed with 95 per cent as to what are fair trade prices and profits, you have at once an immediate definition of what inequity consists of as against the other 5 per cent.

Senator LODGE. You say again, on page 415:

I would like, if I may, to interject a suggestion on that, although I hope I shall not have to do anything of this kind myself. But the fixing of prices is the most obnoxious job in history, and it would be a very desirable thing if some kind of court of appeal could be set up, not as to a proposed price, because the revision of prices would make a total disturbance, but on the general price; if the farmer and consumer could appear before a court of appeals as against a decision of the food controller, that would be of great assistance to the food controller, because otherwise he has the sole personal responsibility.

Mr. HOOVER. That is true, and we have endeavored to effectuate that where it was feasible. There was nothing set up legislatively, and so we have set up informal commissions to have hearings.

Senator LODGE. Then the hearing goes on from that point, and Senator Page finally asked the question:

And you said that if there should be 5 or 10 per cent of skunks—I am not sure that that is what you called them—that would not abide by an honest plan, you would put them out of business by underselling them by some legitimate method——

The CHAIRMAN. You might withhold licenses from them.

Mr. HOOVER. We might ask for powers by which we might requisition their property. There is no other solution for the problem of the skunk.

The CHAIRMAN. If you would penalize him for doing business without a license——

Mr. HOOVER. Some such device, but the power of requisition must be behind it.

By underselling, withholding of licenses, or requisitioning their property, could you not put these objectionable persons out of business?

Mr. HOOVER. Not without having first secured a definition of what an iniquitous practice consisted of. If you can secure a definition in advance and by voluntary agreement then you can withhold the license from 5 per cent, and we have done that in several cases.

Senator LODGE. This price reached by voluntary agreement—you have to decide whether that is a fair price, do you not?

Mr. HOOVER. Yes; and you decide that with relation to both the producer and the consumer.

Senator LODGE. Why is it easier to do that than to decide in a given case that it is an extortionate price?

Mr. HOOVER. Because you are deciding an individual case after the event and not before, and you get back to the question of prevention as against the question of cure.

Senator LODGE. Do you think that if there had been a few of these speculators conspicuously punished it would not have had the effect of prevention?

Mr. HOOVER. There is underlying it all another economic factor. Take the price of sugar, for instance. The price agreed as the price beyond which any further advance would be an extortion was 7.25 in certain circumstances for certain sugar. It then becomes evident to the entire country and to the hundreds of thousands of people engaged in the trade that that figure, plus necessary trade differentials, is the basis of fair trading. If there had been nothing of that kind done there would be a question in the mind of every one of the some 350,000 people dealing in sugar as to what fair trading consisted of. There

comes an immediate a priori definition which is clear to the community.

Senator LODGE. You have only fixed the price or stabilized the price to the consumer on granulated of the higher polariscope test. Is that all?

Mr. HOOVER. Yes; and all the other sugars follow the differentials.

Senator LODGE. That is the base?

Mr. HOOVER. Yes.

Senator LODGE. Do you not after that have to decide whether what the retailer charges or the jobber charges is extortionate?

Mr. HOOVER. The determination made with the approval of the President was that a profit should be based on a prewar normal profit for that place and business under normal competitive conditions. In other words, the jobber's turn in sugar varies from probably 25 to 60 cents, depending on the locality and the conditions of his business. That is the prewar charge, and that plus the increased costs of handling, due to the war and increased costs generally, would determine that matter; and those additions have been made.

Senator LODGE. You have established or agreed upon the refiner's cost and profit?

Mr. HOOVER. Yes.

Senator LODGE. Did you make any general figure on the retailer's or jobber's cost and profit?

Mr. HOOVER. We have little powers as to the retailer. As to the jobber we made a rule that he should charge the prewar normal profit for his given place of business, etc.

Senator LODGE. How much was that?

Mr. HOOVER. It varies from 25 cents in some cities to 60 in others, depending on how much cartage he has to do, and a number of things.

Senator LODGE. Twenty-five cents a hundred pounds, you mean?

Mr. HOOVER. Yes; and I think in some places as high as 75.

Senator LODGE. Have you brought those bulletins that were requested before the recess?

Mr. HOOVER. I have had three or four bulletins sent up from the office, but I am sorry that there are one or two I know of that are not here, and I wanted to get them complete.

(At this point the witness produced a number of papers which were handed to the subcommittee.)

Senator LODGE. And those include the press reports for the last 30 days, do they?

Mr. HOOVER. Here are the press reports, with the addition of the statement which was offered to the committee here, and which was subsequently sent out from the Bureau of Public Information. I include that, although it did not go out from our office.

Senator LODGE. It is printed there. I have it here. Then I gather you felt that nothing sufficient could be done with the speculators, or whatever name you choose to call them by, to control them, unless the natural laws of supply and demand were set aside for the time being?

Mr. HOOVER. No; I do not put it so high as that, Senator. A great deal has been done to speculators in other commodities; but what I do say is that it could be much more efficiently controlled by an organization of the distribution and an agreement as to what

would be proper differentials. I should like to add, in the matter of what we call differentials, or the differences between cost and resale. or in manufacture, that we have been guided by this principle, which is partly moral and partly economic—that no one should take a profit from the handling of food in excess of the profit he would have taken under normal prewar conditions; that any further profit than that consists of extortion, and a profit by virtue of the condition of war, and therefore a profit taken from the misery of our people. That has been our guiding principle in the establishment of those trade differentials.

Senator JONES. You mean by that the same margin of profit, taking into consideration the increased cost of doing business?

Mr. HOOVER. That is it.

Senator LODGE. Before I come to the arrangements that were made, I wanted to ask you about the organization which you have established, and wanted to know if you had sufficient organization. and there was no difficulty in that way in dealing with the question. You said to the Committee on Agriculture:

> I only just want to make one further general point, that it does appeal to me that in order to compel the imagination of this country as to the possibilities of saving and self-denial, to command prestige in the eyes of the large commercial bodies of this country, in order to erect a temporary organism here which will appeal to the people as a temporary organism, it is necessary to place this department on a basis of equality with any other department in the Government and give it the same powers any other Cabinet minister has. I see no other solution of the problem of providing an adequate organization.

Senator BRADY. But not any more power than a Cabinet officer?

Mr. HOOVER. That is a matter of political consideration. As a matter of prestige it would be desirable to do even that, because the man who heads this department has got to negotiate over the first night with the Canadian Government to see that they agree to follow every line of action we take, he has to negotiate with the allies, and if he had the prestige of being a Cabinet member his abilities would be enormously enforced, especially with people so much wedded to form as people in Europe. To set it up as a bureau in the Department of Agriculture is hopeless.

Furthermore, I think the suggestion that the Department of Agriculture should do this is not only wrong from the standpoint of imagination, from the standpoint of prestige, but it will mean the complete destruction of the greatest university in the United States. The Department of Agriculture is our greatest teaching institution, and for it to take over the duties and responsibilities which will devolve upon this organization, and which touch so intimately the whole people, will gather to it such a mass of hatred that it will not recover for the next 20 years.

That was not established among the mass of legislation that Congress passed last session. They did not pass that. Have you been hampered by any lack of power?

Mr. HOOVER. I think so. As to the question of the food administrator, whoever he is, having a Cabinet position, I consider this entirely secondary; and I might interject there that I was in hopes that some Cabinet minister would be appointed to take it, and I would be relieved of any responsibility of that sort on myself.

Senator LODGE. You meant a new Cabinet officer?

Mr. HOOVER. Yes; and I might say as to the Department of Agriculture that the department itself has been in thorough accord. As to the powers under the bill, however, they are in my mind somewhat deficient for handling the situation as it has developed.

Senator LODGE. Have you not been able to establish an efficient administration?

Mr. HOOVER. I hope so—as efficient as can be made under the powers given.

Senator LODGE. How many people, roughly, have you on the pay rolls? I do not mean your volunteers, of course?

Mr. HOOVER. We have on the pay rolls here, I should think, about 900, chiefly clerks. We have very few paid men in administrative positions; and we have an organization in each State, of which there are a few paid clerical people, and mostly volunteers. I presume that if you took the volunteers who are devoting their entire time to the food work it might run into four or five thousand; but I can not tell you accurately.

Senator LODGE. No; I did not expect you to give the volunteers. You had sufficient money appropriated, did you not?

Mr. HOOVER. No. The moneys appropriated were for food and fuel; and the fuel administration has run into more expense than we had anticipated, and we have had some subventions from the President to help us out from his funds.

Senator LODGE. You mean the Food and Fuel Administration have more than spent the $150,000,000 appropriated in the bill?

Mr. HOOVER. No; the administrative appropriation was two and a half millions. The one hundred and fifty millions was for the purchase of commodities, and has no bearing on the administrative expenditure.

Senator LODGE. It can not be used for the administrative expenditure at all?

Mr. HOOVER. No.

Senator LODGE. Has that been used?

Mr. HOOVER. Fifty millions of it has been drawn and used in the grain and cereal operations.

Senator LODGE. It has not been used in sugar?

Mr. HOOVER. No; nothing has been used in sugar. The authority to buy and sell sugar was stricken out of the bill.

Senator LODGE. So, the money from that appropriation only went in that way?

Mr. HOOVER. Only fifty million of it has been so far absorbed.

Senator LODGE. How has it been about advertising? That must have been a very heavy expense.

Mr. HOOVER. The propaganda expense on conservation generally has been borne from the Presidential fund.

Senator LODGE. Have you any idea how much has been used in that way?

Mr. HOOVER. I should think probably $300,000 or $400,000. It is chiefly printing, because we have had to print something to put in the hands of over 12,000,000 households and includes work for the Fuel Administration; so that the printing bill has been very large. The advertising, as you ordinarily see it, on the streets, and that sort of thing, has been practically altogether a gift.

Senator LODGE. From the different States?

Mr. HOOVER. No; it has been the gift of advertising companies and people of that sort who had a patriotic desire to help, and I am told the total value of that advertising that has been given now runs into $3,000,000 or $4,000,000 if it had been sold; but it has been entirely presented to the Government, and the cost of erecting, painting, and billposting has been done free of charge.

Senator LODGE. Has there been any newspaper advertising?

Mr. HOOVER. No paid advertising at all.

Senator LODGE. When you began to make these arrangements, Mr. Hoover, was your first arrangement made with the Louisiana people? I want to take them in the right order.

Mr. HOOVER. No; the first arrangement was made with the beet-sugar factories.

Senator LODGE. About when was that made?

Mr. HOOVER. The agreement with them went into force on the 1st of October. It was led up to by a period of about a month's negotiations.

Senator LODGE. And you fixed the price with the beet-sugar manufacturers at $7.25?

Mr. HOOVER. We agreed on a maximum that they were to charge.

Senator LODGE. At $7.25—that is, at the ports?

Mr. HOOVER. Yes; the seaboard.

Senator LODGE. The seaboard, with a differential for interior points?

Mr. HOOVER. Yes.

Senator LODGE. Was anything done at that time, when you were making the arrangement with them, to encourage the planting of beets?

Mr. HOOVER. The beets for the crop to which this contract relates had already been contracted for the year before, and the price to the producer was already determined except in one or two instances where there was a small sliding scale on price; but the majority of the beets were coming to the factory at a fixed cost, so that the producer did not necessarily enter into the consideration of this. His position was already determined.

Senator LODGE. Some of those factories have given bonuses, have they not, in addition to the contract price?

Mr. HOOVER. Some of them have, and it was done with a view to the stimulating of production.

Senator LODGE. I mean, it was not a rigid price; there was a certain flexibility about it, was there not?

Mr. HOOVER. I understand that some of them have taken the attitude that rather than have their profits taken away by the excess-profits tax, they would give them to their beet growers in stimulating them.

Senator LODGE. Nothing was done, then, at that moment for the beet grower?

Mr. HOOVER. No; there was nothing we could do. He was under contract.

Senator LODGE. Have you done anything to encourage the production of the beet?

Mr. HOOVER. We have started a propaganda, and we have had the reaction from the beet grower that his price was not sufficient, or at least that he did not feel that he was getting a sufficient portion of the sugar price in some localities; and there has been a great deal of negotiation and difficulty between these parties, much like the settlement of a labor difficulty. We have had meetings between the factory people and the growers in an attempt to get this problem settled in a way that would stimulate production, and up to date most of those have come to very little result, although the factories have

agreed in most instances to increase the price. On the other hand, we are at the present moment engaged in the appointment of some commissions to make inquiry as to what the rights and wrongs of these things are, purely a voluntary action in an endeavor to get a settlement that will stimulate production.

Senator LODGE. Does not that require very immediate action?

Mr. HOOVER. It does in one locality, in the State of California, where the planting must begin at an early moment.

Senator VARDAMAN. Senator Lodge, before Mr. Hoover leaves the question of fixing the price on beet sugar, I should like to ask him one question.

Senator LODGE. Certainly.

Senator VARDAMAN. Mr. Hoover, did you take into account the price that the manufacturers of sugar were paying to the beet growers in fixing the price that the factories should charge for their beet sugar?

Mr. HOOVER. Not entirely. We had to be guided by this principle—that there are about, I believe, something like 75 factories, and some of them produce at, say, 4 cents a pound for sugar, and others as high as 7, and we had to arrive at a price that would permit of the highest-cost producer coming into action; and we fixed or we agreed upon a price with them voluntarily as low as would keep all of them in action and maintain the maximum production. That was the guiding principle.

Senator VARDAMAN. You agreed with the manufacturers?

Mr. HOOVER. Yes.

Senator VARDAMAN. Was the fact ever given you that a ton of raw beets for which they paid $4 or $5 yielded to the manufacturer something like $25. Were those facts ever considered by you?

Senator LODGE. Including the by-product.

Senator VARDAMAN. I know, but the factory got that out of it.

Senator LODGE. Certainly.

Mr. HOOVER. I doubt whether there was any $25 profit; but aside from——

Senator LODGE. No; not $25 profit.

Senator VARDAMAN. I did not say profit, but the sugar and the by-product yielded to the manufacturer $25, for which he paid five or seven dollars.

Mr. HOOVER. I do not want to be contentious. I imagine the figure of $25 is somewhat high, but it is probably somewhere from $18 to $20.

Senator VARDAMAN. It was testified before the committee that that was the case.

Mr. HOOVER. Nevertheless, that is a fact that has to be determined yet by investigation. I find an enormous conflict of evidence on all sides about it. In any event, that was taken into consideration, but we saw no way to secure the maximum production without arriving at such a figure as would allow all factories to produce. In some localities, at the price they are paying for beets, particularly in Michigan, and I believe one or two factories in Colorado, the factories will apparently operate at a loss. In other words, they themselves voluntarily agreed to a price that has turned out too low.

Senator VARDAMAN. You make that statement without having investigated the profits that they make out of it, you say?

Mr. HOOVER. We investigated the costs in these certain localities to determine the point at which the whole industry could be kept operating.

Senator VARDAMAN. That is all I wish to ask.

Senator LODGE. You fixed the price of 7.25 so as to permit the highest-cost factory to produce?

Mr. HOOVER. Yes, sir.

Senator LODGE. At a profit?

Mr. HOOVER. Well, the profit is apparently very narrow, if not a loss.

Senator LODGE. There is a good deal of difference of opinion about costs, is there not?

Mr. HOOVER. There is a tremendous difference, and I find great difficulty in arriving at the facts so far, and therefore I am appointing a commission to make a careful inquiry.

Senator LODGE. Do you really think any of the factories operate at a loss?

Mr. HOOVER. I have the impression that two or three of them are operating at a rather serious loss.

Senator LODGE. Do you know which those are?

Mr. HOOVER. Certain factories in Michigan, I am told, and one or two in Wisconsin and Colorado.

Senator LODGE. Do you happen to remember the names of any of them?

Mr. HOOVER. No; I do not, at the moment.

Senator LODGE. Is it possible for us to find out what they are?

Mr. HOOVER. Yes.

Senator LODGE. I should like to know which the factories are that are operating at a loss. The committee has been informed of some cases of very, very large profits.

Mr. HOOVER. Yes; I agree there have been some very large profits.

Senator LODGE. Some of them, you say, handed over their excess profits?

Mr. HOOVER. Well, that I am told. I would not want to give that as absolute evidence.

Senator LODGE. But they did not hand over any of their primary profits. This $7.25 took care of the factories, but it did not take care of the beet producer, necessarily?

Mr. HOOVER. The beet producer was already under contract, and we were advised that we had no power or authority to enter into the dissolution of contracts over the country.

Senator LODGE. Certainly not; but they paid bonuses in a great many cases, raising the contract price from $4 to as much as $6.50. As this was all voluntary, could not something have been done to increase the bonuses to the beet producer?

Mr. HOOVER. We did what we could to encourage them to treat their beet producers well, as we were extremely anxious that the production should be stimulated.

Senator LODGE. Of course one of the objects is the stimulation of production.

Mr. HOOVER. Yes.

Senator LODGE. And to my mind the most important; and you could not stimulate production without stimulating the planting of beets, of course.

Mr. HOOVER. No; but I assume the stimulation of——

Senator LODGE. That is the basis of the whole thing, of course.

Mr. HOOVER. But, mind you, the beets were already planted and already under contract for this particular crop.

Senator LODGE. Yes.

Mr. HOOVER. It is the next crop that gives us anxiety as to production, and that is where stimulation must be undertaken.

Senator LODGE. Undoubtedly.

Senator VARDAMAN. You could have stimulated the consumer a little by not permitting the manufacturer to reap enormous profits from beets already contracted, could you not?

Mr. HOOVER. We gave a great deal of thought to that, and we have this difficulty. If we had the right, under the bill, to have purchased sugar, we could have bought this sugar at variable prices from variable factories. But if we attempted to fix the profits of the different factories as, say, any given percentage on his costs, we would have turned loose in the country 75 different prices for sugar.

Senator VARDAMAN. Is not the price of sugar determined by the amount of saccharine matter in the beet; and if that is true, what are the reasons that there should be such a variety of profits among the factories?

Mr. HOOVER. They have a variable cost and a variable yield, and there are many factors that enter into the question, and one of the predominant ones is the employment of their factory. Where they have a short yield in a given locality their costs go up at once very high, and where they have a large yield and a long run their costs are very much more moderate.

Senator VARDAMAN. Are not the prices of beets determined somewhat by those facts?

Mr. HOOVER. They are. But, mind you, when we approached this position in September it was a fixed position, and one with which we had no authority to interfere.

Senator VARDAMAN. I understand you had no authority to interfere with the contracts. But you had authority to interfere with the profits that the factories were making upon those contracts?

Mr. HOOVER. We had purely an economic question there to consider—that if we set the profit at a cent a pound, or any other unit you desire to arrive at, we would have had 75 different prices for sugar in the country, and there would have been no hope of the consumer benefiting by the Cuban price of sugar. In other words, the total experience I have in handling foodstuffs would indicate that the price is fixed by the higher products, not by the lower, especially in a time of shortage. For instance, if we had fixed the price at 4 cents at a given factory and at another factory at 8 cents, the 8-cent price would have consumed the lower.

Senator VARDAMAN. You had no power to prevent that. Do you know any way to prevent that in the future?

Mr. HOOVER. I do. If we had the right to buy the sugar, we could buy it from each factory at a proper ratio to his costs, and then, by putting all the sugar together, we could arrive at an average.

Senator LODGE. This fixing of a flat price, of course, encouraged all the factories to work as fully as possible?

Mr. HOOVER. Yes, sir. I might say that when the contract was signed there were some factories who had actually contracted their

sugar on a basis of $9 and higher, and, in view of the arrangements we came to, reduced those contracts.

Senator LODGE. You mean $9 at ports?

Mr. HOOVER. Yes. In other words, this demand for the sugar was so great that they were able to contract it at $1 or $1.50 or $1.75 higher than the figure arrived at with them, and the effect of the contract was a very great reduction.

Senator LODGE. But you think it would not have been possible to have encouraged the beet grower at the same time by inducing the factories to give larger bonuses?

Mr. HOOVER. That would have been purely a matter of kindly action by the factory. We had no power to compel him to do so.

Senator LODGE. I understand you could not compel him. This is all a matter of voluntary arrangement?

Mr. HOOVER. Yes; it is part of the agreement. I do not know whether we could have gotten through an agreement to them that they would divide the extra amount. I am not sure. That is a matter of back history now.

Senator LODGE. Would it not be true that if you gave the beet grower a little more this year it would encourage him to plant next year?

Mr. HOOVER. That, I think, we hope to effect. The fact is, there has been a general rise in the amounts offered to the beet growers. Whether that rise is as much as can be made under the circumstances is yet to be determined.

Senator VARDAMAN. Is it by your suggestion that that rise, that increase, has been made?

Mr. HOOVER. In two of the localities; yes.

Senator VARDAMAN. What about the others?

Mr. HOOVER. The others have given a rise, but not at our direct suggestion.

Senator LODGE. You mean a rise to the beet grower?

Mr. HOOVER. Yes.

Senator VARDAMAN. What localities are those?

Mr. HOOVER. In California. The rise there, I think, of $1 or $1.50 was given at the urging of our home representative.

Senator VARDAMAN. Why did you not urge them to give it everywhere?

Mr. HOOVER. Because they had already given the rise elsewhere.

Senator VARDAMAN. You say it was not necessary?

Mr. HOOVER. The matter is still in debate. The whole of this is still going on all over the country, and we are now engaged in the appointment of a commission to inquire as to what is a fair thing. I do not know that it has any power of enforcement. But we hoped that it would effect an amiable relation in the stimulation of production.

Senator VARDAMAN. Is it not a fact that in those California communities the rise in the price is due to an uprising among the beet growers, and a protest against the injustice they were suffering?

Mr. HOOVER. I should think so. After their protests, our people interested themselves in securing their ends as far as were helpful.

Senator LODGE. Are we not in some danger now of getting smaller beet acreages than last year?

Mr. HOOVER. We are not, but not from these primary causes so much as from another cause, that the profits can be gained on beans in most of these localities are probably greater than those on beets at the present prices, and there may be some tendency to turn to beans instead of beets.

Senator LODGE. That is another of the natural laws. Can you not set it aside?

Mr. HOOVER. I am not sure but what it might need to be.

Senator LODGE. Did you take up Louisiana next?

Mr. HOOVER. Yes; I think Louisiana came next in the rotation. I am not sure whether the Louisiana people came between the refiners or not. At some point the agreements were made with the cane refiners on the 1st of October, and, in fact, negotiations were going on with all parties about the same time.

Senator LODGE. The order does not matter particularly. What was the agreement made with the Louisiana people, and with whom was it made?

Mr. HOOVER. We asked the Louisiana people—in the first instance. the producers' association—if they would be guided by a maximum price at which they would market their sugars in order to protect the public, and we suggested the beet price as a basis. They considered that, in all of their circumstances, that was not a sufficient price, and at one point in the negotiations the association asked if they could come to Washington and have a discussion in the matter, and that was done, and the price was arranged for, the technical details of which I forget, but they were put upon the basis of the cane price then ruling, or thereabouts, on the Atlantic seaboard.

Senator LODGE. What did they get as their price?

Mr. HOOVER. I will have to get you figures on that.

Senator LODGE. The price free on board of the Louisiana raws.

Mr. HOOVER. $6.35 for raws, I am told.

Senator LODGE. $6.35 for raws. That was free on board Louisiana; that did not include the freight?

Mr. HOOVER. The original arrangement, I think, was $6.25, and then there was to be a split of the freight between the quantities used in the South and the quantities used in the North, and ultimately that was abandoned and they were all put on the $6.35 basis.

Senator LODGE. The Hawaiian sugars and Porto Rican sugars are based on the Cuban price?

Mr. HOOVER. They follow automatically the Cuban price.

Senator LODGE. The Hawaiian contracts?

Mr. HOOVER. The Hawaiian contracts are made for a number of years ahead, and they are based on the Cuban price from day to day.

Senator LODGE. Did you take personal charge of these negotiations yourself?

Mr. HOOVER. The first discussion with the Louisiana producers was under my direction. The discussion went on, I think, for four or five days, and it was handled by Mr. Rolph and Judge Lindley and others, and I entered into it from time to time, at critical times.

Senator LODGE. And Mr. Rolph managed the beet-sugar arrangement?

Mr. HOOVER. The beet-sugar agreement was also initiated by myself in an appeal to those gentlemen to enlist themselves in the service of the country, and to be willing to accede to what would be a proper

protection to the consumer, etc., and the debate went on for nearly a month, sometimes with myself, sometimes with Mr. Rolph, and sometimes with Judge Lindley.

Senator LODGE. When it came to the Cuban arrangement—that is for the ensuing year?

Mr. HOOVER. Yes.

Senator LODGE. That was made by the international committee. was it not?

Mr. HOOVER. In order to deal with the Cuban situation we had to make an agreement with England, France, and Italy, and thereby to create an international committee to undertake the matter.

Senator LODGE. Who constituted that committee?

Mr. HOOVER. I forget whom the original suggestion as to the action came from. I think it came from the English food controller.

Senator LODGE. I mean, what was its membership?

Mr. HOOVER. The membership of the committee itself?

Senator LODGE. Yes.

Mr. HOOVER. Two representatives were appointed by the royal sugar commission in London, acting for the English food controller. and one representative was appointed by the French Government. and he has not yet arrived; and we were appointing three.

Senator LODGE. Who are our three?

Mr. HOOVER. Mr. Rolph, Mr. Babst, and Mr. Jamison.

Senator LODGE. They all represented great refineries, did they not?

Mr. HOOVER. Yes. The distinction here was that the European Governments were acting in the purchase with their own money. with governmental money. We, on the other hand, had no governmental money to purchase with, and we had, therefore, to enlist the American refiners to take the same position, viz, this operation that the other Governments took directly.

Senator VARDAMAN. Who were those men, and what are their business affiliations?

Mr. HOOVER. Mr. Rolph, who directly represents me. was formerly manager of the California-Hawaiian Refining Co. Mr. Rolph has no interest in the refining or the sugar business, and volunteered. without remuneration, to work for the Food Administration during the war. Mr. Jamison is one of the principal men in Arbuckles. an entirely independent refining company, and Mr. Babst is the head of the American Sugar Refining Co.

Senator VARDAMAN. That is what is known as the Sugar Trust. is it not?

Mr. HOOVER. Yes.

Senator VARDAMAN. They fixed the price on their own products?

Mr. HOOVER. No, sir. They have had very little voice in the price; in fact, have had none. Their only action in the price has been to complain that the price was too high.

Senator LODGE. You mean the price paid for Cuban sugar?

Mr. HOOVER. The price fixed for the purchase of the Cuban crop.

Senator VARDAMAN. Who complained of that?

Mr. HOOVER. Mr. Babst and Mr. Rolph and Mr. Jamison and the two British delegates have all complained.

Senator VARDAMAN. Did they say it was too high?

Mr. HOOVER. They thought it was higher than ought to be paid. But the question of the determination of the price did not revolve

entirely around the commercial desires of those gentlemen for a lower price. It revolves around the relationships with Cuba, and therefore became a matter that was practically determined by the five or six Governments involved, at which those gentlemen were overridden.

Senator VARDAMAN. The fixing of the price did not in any way affect the pecuniary returns to the companies that those gentlemen represented?

Mr. HOOVER. No, sir; it does not; because the companies represented by those gentlemen are limited in the differential that they may charge between raw sugar and refined, and no matter what the price was, they would have gotten no different figure.

Senator VARDAMAN. The truth is, Mr. Hoover, is it not, that a great many of the gentlemen who hold stock in those different companies are interested in the growing of the sugar?

Mr. HOOVER. One reason for the choice of those three gentlemen for the committee was the fact that no one of them, nor their companies, had any interest in Cuban sugar.

Senator VARDAMAN. But the stockholders of those companies did, did they not?

Mr. HOOVER. That I can not tell. I presume there may be 50,000 stockholders.

Senator VARDAMAN. And is it not true that they were interested also in the manufacture of beet sugar? Is not the American Sugar Trust a stockholder in a great many of the beet-sugar factories of the world?

Mr. HOOVER. I think they have interests in the beet sugar; I know they have, in fact, as a matter of public information.

Senator VARDAMAN. I think it is a matter of public information.

Mr. HOOVER. I would like to say, about the Cuban price, that we sent a commissioner to Cuba to study the cost of production; that the result of that study, which embraced, I believe, about 80 per cent of the actual production of the year before, came out at some figure like $3.38 or $3.39, something of that sort; that the profit that would stimulate production in Cuba was apparently about a cent, which made about $4.38 or $4.39, and some of the gentlemen in the committee were strong initially that the price should be about $4.25 or $4.30, as being a representative and a proper price to stimulate Cuban production and to do justice by the Cubans. The Cuban representatives, on the other hand, held out for initially $5.25, and a long negotiation took place, and it was ultimately closed, at the request of the State Department, at $4.60. So that the action of those gentlemen in that whole negotiation was toward a lower price than was adopted and the price arrived at was not the volition of either myself or those gentlemen.

Senator LODGE. On that question of costs I understood you to say what?

Mr. HOOVER. About $3.38 was the average, although there are some producers in Cuba who could not produce at that price.

Senator LODGE. I have here, and I will ask to have it put in, some analyses of the Cuban costs on a cane-sugar plantation, made by Mr. J. V. Knight, who has given a great deal of attention to the matter of costs in Cuba and is very familiar with it. I will not read it now, but

he works it out that the average cost on a plantation is about $3.47. I think they are interesting figures, and I will ask that they go in.

(The paper referred to, marked "Exhibit No. 168," is printed in the record in full, as follows:)

EXHIBIT No. 168.

THE INCREASED COST OF CUBAN RAW SUGAR.

[Compiled by J. V. Knight, Cuban commercial economist and statistician, 233 Broadway, New York.]

Statistics of an ideal, high-efficiency mill, with an annual production of 200,000 bags of raw 96° Cuban sugar, 320 pounds to the bag.

NOTE.—Of the 211 mills actively grinding in Cuba last season only 20 attained a production of 200,000 bags or more. The following data, therefore, may be regarded as ideal rather than typical of actual conditions governing the Cuban sugar industry as a whole:

Foreword.—Except for the few favored Cuban mills which enjoy special advantages owing to a situation of immediate proximity to the seaboard, large output, virgin soil, and the like, the production in Cuba of raw sugar at figures approximating the previous costs is a thing of the past under present economic conditions.

During the first six months of 1917 all charges increased approximately 50 per cent, owing to higher wages, a rise in local freight rates (Cuban), higher cost of coal, lubricants, machinery, hardware, sacks, and, in fact, of all factors entering into the manufacture of a bag of sugar. Since that date (July 1), the following additional cost-factors have increased still further: Labor, all classes, including the skilled in the mills, as well as the unskilled in the fields, 30 per cent during the grinding season and 20 per cent in the off season. (By agreement between strikers' representatives and Dr. Cristobal de la Guardia, Cuban labor mediator, as of November 14 last.) Transportation, local, 20 per cent, as of November 20, by decree of the Cuban Railway Commission, which excepted from its verdict the rates on all foodstuffs except sugar. Oil and lubricants, 50 to 75 per cent, owing to economic and other conditions apparently beyond the control of Cuban agencies.

In the following estimate-analysis the costs are as of an average plantation with an annual production of 200,000 bags. The capitalization has been taken at $3,000,000, the equivalent of $15 a bag, although it is certain that the replacement cost of a 200,000-bag mill to-day would figure more than this amount. Some Cuban companies now have outstanding securities which correspond to as much as $25 a bag, but the good average of the past has always been considered about $15 a bag, not taking into account the increased cost factors of 1917. As regards depreciation, while 5 per cent per annum has been allowed in the following charges, this is insufficient to provide for alterations in machinery which are so frequently necessary to enable the Cuban mills to keep pace with the constant advancement in the art of sugar manufacture.

The yield is estimated at 11½ per cent, which is generally accepted as the basis which any well-managed sugar mill may rely upon from year to year, though the low sucrose content of the 1916–17 zafra was less than this percentage. As regards the price to be allowed the colono for his cane, 6½ per cent may be taken as a fair average. Any mill which pays more than this usually makes a downward revision of its contracts with its colonos, or will equalize this condition by planting more administration cane.

The following figures, therefore, represent the probable cost of manufacture of 1 pound of raw sugar for the present 1917–18 season, taking into account all cost factors, as of December 1, when the grinding season had just begun, and not allowing for curtailment of expected production:

Operating expenses for 100 arrobas or 2,500 pounds of cane ground:	
Freight on cane from field to factory	$0.60
Milling expenses and cost of bag	.92
Administration	.25
Railroad freight to seaboard	.48
Dead season expenses, repairs, etc	.44
Actual operating charges	2.69

Financial charges (yield, 287.5 pounds of sugar to each 100 arrobas of 2.500 pounds):		
Depreciation, 5 per cent on $3,000,000		.67
Interest on capital, 6 per cent on $3,000,000		.80
Cuban Government tax of 20 cents a bag		.18
Actual financial charges		1.65
Total expenses per 100 arrobas of cane ground		4.34
100 arrobas equal	pounds	2,500
Field of 96° sugar (11½ per cent)	do	287.5
Manufactured sugar delivered to colonos in reimbursement of cane retained by factory for their own account, 6½ per cent	pounds	162.5
Leaving manufactured sugar for account of mill on every 100 arrobas of cane ground, 5 per cent	pounds	125
$2.69 representing operating charges, as above, divided by 125 gives operating expenses per pound of sugar manufactured	cents	2.152
$1.65 representing financial charges, as above, divided by 125 gives financial charges per pound of sugar manufactured, including interest, depreciation, and Cuban Government taxes	cents	1.32
Cost of production, net, per pound	do	3.472

Conclusion.—George M. Rolph, in his testimony before your committee, revealed that 3.35 cents a pound, net cost of production, was accepted by the International Sugar Committee as their basic standard in their fixation of a price of $4.60 f. o. b. Cuba ($4.90, c. and f., New York) for the Cuban crop of this season.

As the writer's statistics as above are basically correct, as revealed by statistics compiled by disinterested and nonrelated sources, and known increases since July 1 in the transportation, labor, and fuel factors, as well as oil, etc., for a mill of 200,000 bags annual capacity, it is apparent that the figures considered by the International Sugar Committee as a basic were low and out of line.

Senator JONES. In connection with the inquiries by Senator Vardaman as to the interests which the members of the international committee might have in the price fixed for sugar, I would like to inquire if the price of beet sugar was fixed before or after the appointment of the international commission, and before these gentlemen became connected with the Food Administration?

Mr. HOOVER. The price of beet sugar was agreed on verbally some weeks before the international commission was set up. I think the contracts were probably the same date, but the price was agreed upon with the beet-sugar people, I think, about the second week in September, whereas this was set up considerably later. What I would like to impress upon you is that the function of those gentlemen of the international committee is to determine the distribution of sugar, and that they have not the problem of price in their hands.

Senator LODGE. You felt it necessary that that allotment of sugar should be made by those engaged in the trade?

Mr. HOOVER. I felt that we are in these times primarily dependent upon the patriotism of our men who know their business; that it is a hopeless thing for a gentleman like myself to enter upon these multitudes of trades without the best and most competent advice that this Nation affords, and that I assume the men who lead those trades, if they are patriotic and honest, can give the best advice that can be obtained, and that especially in setting up an organization to handle these emergency problems in quick order it is desirable to enlist those men. If this goes on for years it may be desirable that

we develop a bureaucracy to handle these issues. But it is a matter of opinion and discussion.

Senator LODGE. You do not think that complete ignorance of a subject is necessary in order to secure impartiality?

Mr. HOOVER. No, sir.

Senator LODGE. I agree with you.

Mr. HOOVER. I always reserve in all of these operations the final decision to myself, and I take the final responsibility.

Senator VARDAMAN. Are those men who are doing this still in the pay of the companies they represent?

Mr. HOOVER. Mr. Rolph, I understand, is not in the pay of his company. He is the only one who directly represents the Food Administration. I know nothing about the allied representatives of the other nations here.

Senator VARDAMAN. I mean the representatives of the United States.

Mr. HOOVER. Certainly. Mr. Babst and Mr. Jamison, I believe, are the presidents of their companies.

Senator VARDAMAN. And still have their salaries. The revenues of their respective companies are in no way affected by what they may do?

Mr. HOOVER. I can not see how they are, because we have limited their differential to the maximum profit they may earn, and it was of little moment to them what the price of Cuban sugar was, except the desire which they all had to get the sugar to the consumer at the lowest price.

Senator VARDAMAN. I hope that is true.

Mr. HOOVER. I am convinced it is true, because they could not have any interest otherwise.

Senator LODGE. I have not the slightest intention of going into the relations between Cuba and this Government; I do not think that is in the least necessary. I think we will assume that the Cubans would desire to get the best price for their sugar that they possibly could.

Mr. HOOVER. Most certainly; and we would desire to buy it at the cheapest.

Senator LODGE. Is not the Cuban crop, the sugar production of Cuba, the most vital thing in the American field?

Mr. HOOVER. I consider of all our imports foodstuffs far and away the most vital.

Senator LODGE. And being the supply of our sugar here and abroad, it is the most vital?

Mr. HOOVER. Absolutely.

Senator LODGE. It is better to pay a little too much than anything too little?

Mr. HOOVER. Certainly. We must stimulate production.

Senator LODGE. Because our desire is to stimulate production?

Mr. HOOVER. Certainly.

Senator LODGE. It would be, in your judgment, better to pay a somewhat higher price than to have the Cuban production fall off?

Mr. HOOVER. It certainly would.

Senator LODGE. That price was fixed at $4.60?

Mr. HOOVER. Yes; there is a little variable for ports.

Senator LODGE. But it was fixed substantially at $4.60?

Mr. HOOVER. Yes.

Senator LODGE. Then you made an allowance to the refiner?

Mr. HOOVER. Yes, sir; of $1.30.

Senator LODGE. That would make the cost of sugar $6.90 at New York, would it not?

Mr. HOOVER. The freight from Cuba to New York is still a determinable figure.

Senator LODGE. It would make the net cost finally $8.15?

Mr. HOOVER. We are assuming that we will deliver the sugar in New York at about $6, or very close to it, within a cent or two, and then the refiner's differential on that will be $1.30, which brings them up to $7.30, perhaps $7.35. It depends on freights.

Senator LODGE. That is, in the future?

Mr. HOOVER. Yes.

Senator LODGE. But the prices that we had before were $6.90, were they not?

Mr. HOOVER. Six ninety was a figure which we agreed with the allies should be a maximum buying figure for the remnant of the old crop, as against $4.60 for the new crop.

Senator VARDAMAN. You say you fixed $1.30 differential?

Mr. HOOVER. Yes, sir.

Senator VARDAMAN. Did you ever consider the proposition or the question of making that the maximum price and permitting it to be manufactured for less if they saw fit, or permitting it to be refined at a less profit if they saw fit?

Mr. HOOVER. That is the case. That is only a maximum. It is a maximum differential. Any refiner who wishes to refine for less than that may do so, and I hope he will if he can.

Senator VARDAMAN. What is the difference between that price and the price prior to your fixing it?

Senator LODGE. I was coming to that.

Senator VARDAMAN. Very well, then.

Senator LODGE. You asked the refiners to withdraw from the raw-sugar market, did you not?

Mr. HOOVER. We asked them not to pay over and above a certain amount, and that was in conjunction with the allies, and at a later stage we asked them to withdraw in favor of the international committee, who would buy and divide amongst them all. There was a period during which they were asked not to pay above a certain figure.

Senator LODGE. That resulted in the closing down of the refineries, did it not?

Mr. HOOVER. No, sir; I did not think so. At that time there was apparently about 50,000 tons of sugar left, in October, and they would have had to close down anyhow.

Senator LODGE. They did, as a matter of fact, close down?

Mr. HOOVER. They closed down, and then they opened up and continued to operate until they had exhausted the American part of that 50,000 tons, or thereabouts.

Senator LODGE. They closed down and then the Food Administration—this international committee, I should say—came in as a buyer, in November, was it not?

Mr. HOOVER. Yes; there were some cargoes, some sugars, that were still coming forward to the New York refiners at that period.

Senator LODGE. And they took all that was offered on the basis of $6.90, duty paid?

Mr. HOOVER. Yes; and I would like to say that all the old crop sugar in Cuba was bought. The statement has been made that that resulted in shortening the American supply; but the fact that all that supply came to the United States or went to the allies must be a sufficient answer to that statement.

Senator LODGE. You say there were no sugars at that time?

Mr. HOOVER. No; I do not know. There was a certain amount of sugar in Cuba, an indeterminate amount; a certain remnant of the old crop. What I say is that it subsequently did reach either the United States or the allies.

Senator LODGE. In the sugar year there comes, as a rule, a time in the autumn when the old crop has been pretty well disposed of and the new crop has not begun to come in, and during that period the beet sugar comes forward, does it not?

Mr. HOOVER. Usually it helps out.

Senator LODGE. I mean, under ordinary circumstances the beet-sugar crop comes forward.

Mr. HOOVER. And it helped out this year to some extent.

Senator LODGE. Yes. Well, it was 734,000 tons—or whatever it was. I say that the autumn of the year, October and November, is the time when there is a natural shortage, if I may say so.

Mr. HOOVER. And this year it was accentuated by being something like 300,000 tons of cane sugar short, and the refiners would have had to close down in any event.

Senator LODGE. The beet sugar was unusually late this year?

Mr. HOOVER. It was partially late.

Senator LODGE. You mean the California crop—and the other was late, was it not, owing to a backward summer?

Mr. HOOVER. Yes; it was late; and, in addition to that, there was that car shortage and inability to get the sugars to market.

Senator LODGE. What I am trying to get at now is the cause of this shortage, which was so severe in the Eastern States.

Mr. HOOVER. Yes.

Senator LODGE. This was brought out in the testimony the other day, and I want to refer to it.

On December 15 the Great Western Sugar Co., of Denver, Colo., had 107,138 tons on hand; the Spreckels Sugar Co., of Spreckels, Cal., had 31,000 tons—that is, in round numbers; the Idaho & Utah, at Salt Lake, had 71,000 tons; the Michigan Sugar Co. had 9,000 tons, and the American Beet Sugar Co. had 22,603 tons. That was on hand December 15—241,000 tons. On December 14—well, received by the Hawaiian & California between September 1 and December 14, including the raws on hand December 1, there were 67,000 tons, making, in all, something over 300,000 tons on hand at that period.

The consumption of the country was about 350,000 tons?

Mr. HOOVER. Yes, sir.

Senator LODGE. That takes no account of the Cuban sugars that you say were brought in and refined during that period, which would carry it up to the normal amount. Now, why was it, in the presence of those facts as to the amount of sugar on hand, that there was such a severe shortage in the Eastern States?

Mr. HOOVER. Solely and absolutely shortage of cars; inability to get cars through.

Senator LODGE. It was testified here by Mr. Spreckels that he made an offer to the Food Administration, asking to be allowed to buy raw sugars and agreeing that he would supply them at the fixed price to the consumer.

Mr. HOOVER. I do not recollect any conversation of that character. I do not know in what connection.

Senator LODGE. The correspondence is all in the testimony; his correspondence with Mr. Rolph. It was all conducted by correspondence.

Mr. HOOVER. But my recollection of that was that Mr. Spreckels wanted to pay more than $6.90 for the Cuban sugar.

Senator LODGE. For any raws, did he not?

Mr. HOOVER. Mr. Spreckels, I believe, was offered raws from Hawaii, but would not accept.

Now I want to explain about the Cuban situation a little further. I think it is important.

Senator LODGE. I think he wanted to buy some Peruvian raws, did he not?

Mr. HOOVER. The Peruvian raws, a small amount, were in the hands—practically negotiated by Canada at that time. The remnants of sugar around the world, in Cuba and the small amount in Peru, were in the way to make the price of sugar for the whole of next year. An unlimited bidding for that small amount of remnants of raw sugar would have seriously affected the entire sugar question for next year, and we felt strongly that if we could hold that sugar down in price we would moderate the price that the American people would have to pay for the next year's sugar. The fact that it resulted in no decrease of supplies seems to me is shown by this telegram that I would like to put in from the American consul general, in which he cables to me:

> Export from Cuba to neutral countries for September, October, and November, according to statistics here, is as follows: Spain, 316 tons; Mexico, 1,650 tons. Practically no other sugar on the island of the old crop unsold.

So that during that period that sugar did come into the market, or go to the allies, and one of the reasons for its going in this direction was that the Cuban Government placed an embargo upon exportation. I think upon the 1st of October, in favor of this country and the allies. These small quantities of sugar to Mexico and Spain, I am told, were under previous contracts.

Senator LODGE. They are negligible.

Mr. HOOVER. They are negligible.

Senator VARDAMAN. Did not the Canadian Government pay more for that sugar that Mr. Spreckels offered to buy, to refine and sell at the price that you had fixed, than your committee had stated?

Mr. HOOVER. No; not the Canadian Government.

Senator VARDAMAN. I mean the Canadian people; I do not care whether it was the Government or not.

Mr. HOOVER. And there were some Canadian refiners who broke over the arrangement and did buy some of that sugar; I do not know the quantity, but practically 5,000 to 6,000 tons of sugar, above the price agreed upon by the international committee, and when that was

discovered he was taken to task, and reverted back to the price; and that was done; and that was a matter to be regretted, from our point of view. The effect of the fixing of the figure of $6.90 at that time was to lower the price to the American consumer by about a cent a pound when that was done.

Senator LODGE. Lowering the price of sugar when there is no sugar is rather unsatisfactory.

Mr. HOOVER. The American consumer has had 80 per cent of his normal supply of sugar right up to the present date. The misfortune is the inequality of the distributing that arises from the condition of the transportation system of the country.

Senator VARDAMAN. Has the lowering of the price and keeping it at $6.90 deprived the American consumer of any sugar?

Mr. HOOVER. Not one atom, as is shown by this cablegram from the American consul general:

Senator VARDAMAN. What about that one amount that went to Canada. Would that have gone to the American consumer?

Mr. HOOVER. Canada must have a supply of sugar.

Senator VARDAMAN. But she was getting it in violation of your agreement.

Mr. HOOVER. I agree that they had that, but we would have had to have absolutely let Canda have some sugar. She is in the war with us, and we must pool our interests with our allies. If Canada had not had that sugar we would have had to have parted with some of our sugar to Canada, great as our distress was.

Senator LODGE. You speak about the distribution of sugar. There was sugar in the country which was distributed that recovered the amount almost to the normal of 350,000 tons a month?

Mr. HOOVER. There was a period when the supply was below normal. By the 15th of December there would have been pretty near a normal supply if we had had the transportation.

Senator LODGE. There was sugar in the country, beet sugar, was there not, in November, that could be transported?

Mr. HOOVER. I have not the figures here of the factory stocks of the various months. I have here the figures of shipments from the factories during the different months up to this time.

Senator LODGE. Up to the 15th of November there had been no shipments of sugar east of Pittsburgh, had there?

Mr. HOOVER. Very little.

Senator LODGE. But it was there?

Mr. HOOVER. Just at that time——

Senator LODGE. The sugar was there, was it not?

Mr. HOOVER. Well, at that period there was just as great a dearth: there was some, but there was just as little West, pending the arrival of the sugar, as there was in the Northeast.

Senator LODGE. Did you not increase the price of beet sugar at Boston?

Mr. HOOVER. Yes; at one point, when we increased the price; but we had secured as many shipments into that territory at the old price as we could get cars for. The object of increasing the price was the inability to make the retailer hand it over to the consumer.

Senator LODGE. Almost none had come in.

Mr. HOOVER. There were a great many cars dispatched.

Senator LODGE. Prior to the rise in price?

Mr. HOOVER. Yes.

Senator LODGE. It did not appear very conspicuously when I was there.

Mr. HOOVER. At one moment I think we had track of some 300 cars that were stalled in the blockade.

Senator LODGE. After you had raised the price of beet sugar at Boston from $7.25 to $8.15, between November 23 and December 14, there were 196 cars shipped east of Pittsburgh.

Mr. HOOVER. All of those cars were dispatched from the factory in the face of the price of $7.25.

Senator LODGE. And you say that the raising of the price had nothing to do with their going forward?

Mr. HOOVER. Nothing whatever.

Senator LODGE. Why did you raise it?

Mr. HOOVER. Because the consumer was getting no benefit from the situation. The traffic was being loaded with the additional freight into New England.

Senator LODGE. I do not exactly understand that reasoning. What was the object of raising the prices if it would have no effect on the movement of sugar?

Mr. HOOVER. We gave the factory the benefit of what would otherwise have gone to the distributing trade and compensated them to some extent for their extra freight cost of penetrating that territory.

Senator LODGE. But that was the price at the seaboard with the differentiál to interior points?

Mr. HOOVER. But the differential to interior points results in a larger net profit to him than if he ships to the seaboard.

Senator LODGE. Certainly, because he gets the differential.

Mr. HOOVER. We also had a matter of justice that came into that situation, because the Louisiana producers were obtaining the northeastern seaboard price, and we felt that it was unfair to the beet producers to ask them to take less in the same territory, and we felt that the consumer was not getting the advantage.

Senator LODGE. But at all events, after the raise was made, sugar moved.

Mr. HOOVER. Sugar moved before the raise was made. If you wish to have the dates when the cars were dispatched, I am able to get them.

Senator LODGE. East of Pittsburgh?

Mr. HOOVER. They moved from the factories so that the sugar company had no further interest.

Senator LODGE. But somebody had an interest.

Mr. HOOVER. The factory was dispatching the cars.

Senator LODGE. Up to November 20 practically no cars had come east of Pittsburgh with beet sugars.

Mr. HOOVER. That is true.

Senator LODGE. After November 20, when you raised the price, cars did come?

Mr. HOOVER. On the other hand, cars had been dispatched from the factories into the northeastern territory without regard to price.

Senator LODGE. And I do not see why you raised the price if we were to get it at the lower price.

Mr. HOOVER. For two reasons, that the consumer was not getting the benefit of the small amount of cheaper sugar, and it was an in-

justice to the beet men to ask them to take less in the same territory than the Louisiana men.

Senator VARDAMAN. If it had been sold for $7.20, or whatever the price was, would not the consumer have gotten the benefit of it?

Mr. HOOVER. That sugar is filtered through the trade, through the wholesalers to the retailers, and the public impression of price is about 9½ cents or 10 cents a pound, and we have had the utmost difficulty to hold it down to that. If the retailer obtains 100 pounds at 8¼ or $7.25, as against 8¼ for his other sugar, we do not believe that the consumer would have ever seen a shadow of a difference.

Senator LODGE. Then, the raise was in order to give further compensation to the beet-sugar men?

Mr. HOOVER. Yes.

Senator LODGE. To the beet-sugar manufacturers. I had supposed that it was done in order to stimulate the shipping east.

Mr. HOOVER. It has that complexion, because the beet-sugar men were complaining that the Louisiana sugar should take care of the northeastern territory, as they were getting a higher price, and that we should not call on them to take the northeastern territory and fill in the deficiencies of the Louisiana producer, and, therefore, in order to straighten it out and to induce them to play the game and to do what we wanted with further shipments to relieve it, we thought the best thing was to put the two producers on the same basis.

Senator VARDAMAN. Have they shipped any more sugar since then?

Mr. HOOVER. Yes; some more.

Senator VARDAMAN. How much?

Mr. HOOVER. I could not tell you just the amount, but I can find out.

Senator LODGE. You have Louisiana sugar there in the New England area?

Mr. HOOVER. As much as can be gotten out with the cars.

Senator LODGE. You had it there at that moment; it was being ground, was it not? Louisiana raws were being manufactured at one of our refineries.

Mr. HOOVER. One of the things in the New England situation was that the contract with the American Sugar Refining Co. for 100,000 tons was to be divided, 50,000 tons to the northeast territory and 50,000 tons to the south. The Louisiana producer found that he could sell his brown sugar at the same price as granulated under this shortage, and, therefore, he did not offer the raws to the refining company, so that the refining company never got the 100,000 tons. I do not know what they did get, but I presume between 30,000 and 40,000 tons.

Senator JONES. Twenty-six thousand tons.

Senator LODGE. Twenty-six thousand tons it has been testified.

Mr. HOOVER. And the Louisiana producer producing brown sugars has shipped as much as possible into the northeastern territory, and again he has had the blockade against him, but he, of course, has been able to market his sugars for the South within range where he could get deliveries.

Senator LODGE. A certain amount of Louisiana sugar came through to Boston.

Mr. HOOVER. Yes. We have tried very hard to get railway cars there from both quarters.

Senator LODGE. And the beet sugar was then brought there, and the price quoted the same as the Louisiana sugar—8.15?

Mr. HOOVER. Yes; we wanted to put them on the same basis so as to induce them both equally to play the game.

Senator LODGE. Well, we got the low price, but there was a severe shortage with it.

Mr. HOOVER. I have a statement here showing the distribution of sugar as near as I can estimate it for the three months—September, October, and November—that I should like to put in. It is embraced in the complete statement that I offered, and if I might put that into the record I think it would illuminate the fact that there has been at least 250,000 tons of sugar available each month during the shortage.

Senator LODGE. You mean in the country at large?

Mr. HOOVER. Yes; it has been put on board transportation.

Senator LODGE. If the Cuban crop and the other crops turn out as they promise now, and the country makes the savings that are reasonably to be looked for, ought there not to be an ample supply next year—I mean with the reduced amount to the allied powers?

Mr. HOOVER. The international committee has worked up and we have all worked on a distribution of sugar for the next year as between the different Governments, and on the preliminary figures, basing the Cuban crop at 3,200,000 tons—and we all have hopes of a larger crop—the allied demands are short by about 250,000 tons, if we have our full normal consumption. And it becomes a problem as to whether they transport from Java 250,000 tons on the one hand, whether the Cuban crop shall turn out 3,200,000 tons or more than 3,200,000, and the alternative of whether we shall reduce our consumption by 250,000 to 300,000 tons.

Senator LODGE. Is not the great point of danger a reduction of the beet area?

Mr. HOOVER. It is a matter for anxiety, and a matter that I am very anxious to get stimulated up.

Senator LODGE. Because, as I have said before, having a low price for sugar, if there is no sugar, is rather a sterile pleasure.

Mr. HOOVER. If we have the right to buy sugar, we could place the beet factories in such position that they could earn a normal interest on their investment and give an opening to the beet grower, which we could then liquidate over the entire sugar of the country, Cuban and all. We are in this difficulty: If we agree on a price for Cuban sugar which protects the consumer, we are prejudicing the beet industry in these circumstances, and the only solution to that that I can see is not to penalize the country to pay $30,000,000 to $40,000,000 more for Cuban sugar than is necessary to stimulate their production, but to pay something more for the beet or Louisiana sugar to stimulate their production and to average the price of all to the consumer.

Senator VARDAMAN. The testimony here, given by these people from the beet-growing sections of the country, is that the sugar manufacturers have all declared very large dividends.

Mr. HOOVER. Some of them have, but not all of them.

Senator VARDAMAN. Well, the majority of them, as these gentlemen testify?

Mr. HOOVER. There is one thing that I would like to say about the difficulties of the price of beets and of beet sugar, and that is that the

beets must be contracted for now, and the beet factory is not able to determine the price that it will obtain for its product. In other words, in contracting for the beets the beet farmer has an assurance of his income, whereas the factory is taking a total gamble on the price of sugar. Some of the beet factories take the view that if peace came the price of sugar might fall. On the other hand, there is another view that if peace came the price of sugar might rise. It is a matter of opinion in any event, but the beet factory in all honest commerce is entitled to something for its gamble on the price of sugar, and it would be a desirable thing if some participation in the risks could be arrived at between the producer and the factory by which they would also participate in the profits.

Senator VARDAMAN. All of the evidence here is that there is a wide margin for the beet manufacturer.

Mr. HOOVER. You have heard the beet producer's side of the story, and I have to listen to both sides, and it would be desirable, I think, for the committee's own information to hear the beet factory and their views on the question.

Senator VARDAMAN. I should like to have it.

Senator LODGE. To get beet sugar, we have got to have them both.

Mr. HOOVER. Certainly.

Senator LODGE. We have got to encourage them both.

Senator VARDAMAN. That is undoubtedly true, but up to date attention has been especially paid to the manufacturer and the beet growers get nowhere.

Mr. HOOVER. It is only in the last month that the beet growers' problem has arose.

Senator VARDAMAN. His problem arose sometime ago, and it has risen in such a way as to discourage him from continuing the planting of beets, because he is opposed to selling his beets for less than the cost of production, if the testimony given here is worth anything.

Mr. HOOVER. Of course the factories do not agree to that point.

Senator VARDAMAN. The record shows that the factories are making enormous dividends.

Mr. HOOVER. I confess that I do not yet know their rights and wrongs of the thing yet, and I propose to have an inquiry to determine that.

Senator LODGE. I want now to go back, and I will ask the reporter to read Mr. Hoover's last answer to my last question.

(The reporter read Mr. Hoover's answer as follows):

If we had the right to buy sugar, we could place the beet factories in such position that they could earn a normal interest on their investment, and give an opening to the beet grower which we could then liquidate over the entire sugar of the country, Cuban and all. We are in this difficulty. If we fix a price for Cuban sugar which protects the consumer, we are prejudicing the beet industry in these circumstances, and the only solution to that that I can see is not to penalize the country to pay $20,000,000 or $30,000,000 more for Cuban sugar than is necessary to stimulate their production, but to pay something more for the beet or Louisiana sugar to stimulate their production and get an average of sugar prices.

Mr. HOOVER. I would like to make one extension to that.

Senator LODGE. Yes. I did not quite understand it when you answered, and I do not yet. I was going to ask you more about it.

Mr. HOOVER. The extension is this, that if we have the right to buy sugar we can probably give assurances to the beet factory that would

remove from them the gamble that they have to take, and thereby they could in turn pay a larger portion of their returns to the beet producers. That is the point I was trying to make. It might not result in any change of the level of prices to the consumer at all.

Senator LODGE. But to protect him and the Louisiana people on the price fixed on imported sugar, duty paid, you say would cost $20,000,000 or $30,000,000—I mean, if you did it by raising the price of imported sugar, duty paid.

Mr. HOOVER. Yes; if we allowed the present risk of the factory to go on. In other words, he will say, if he pays more than $7.50 for his beets—and they can not pay more than that for beets if they are to take the risk of uncertain prices—if we could assure him that sugar would be bought at 7.25, I am confident he could give more for the beets and put the beet producer in his legitimate position.

Senator LODGE. Do you think to give him that protection you must carry the price of Cuban sugar, imported duty paid, to a higher point so as to give him a sufficient margin, or make a special price for the Louisiana and the beet-sugar people?

Mr. HOOVER. My own solution would be to make a special price for them, but we could not do it unless we had control of all of the sugar, to distribute the price over the map.

Senator LODGE. You have control of the Cuban sugar, but how can you maintain a different price for the Louisiana and the beet sugar from that for Cuban sugar?

Mr. HOOVER. If we had the right to buy sugar from the three different quarters, we could buy the sugar at three different prices, if it was necessary, and make an average price of the three.

Senator LODGE. I do not know just how that could be done. How could you do that?

Mr. HOOVER. I see no difficulty in entering into a contract with the beet-sugar factories to buy their sugar at probably variable prices among the different factories, computed on proper and normal profit.

Senator LODGE. But at a different price from the prevailing price for Cuban raws?

Mr. HOOVER. Yes; basing it on a question of stimulation of production.

Senator LODGE. And you would do the same with the Louisiana people?

Mr. HOOVER. Yes.

Senator LODGE. How could you induce the Cubans to accept a lower price?

Mr. HOOVER. To buy the Cuban crop again on the basis of production and a proper profit for stimulation.

Senator LODGE. Of course, you can compel the Cubans to sell, because you can take the possible market away from them, but that is not a thing that it is desirable to do.

Mr. HOOVER. No; I do not believe in compelling the Cubans to take an unjust profit or anything of that kind, but the Cuban production is at a lower order of cost in respect to the situation which exists in our own country at the present moment.

Senator LODGE. A lower order of cost?

Mr. HOOVER. Yes.

Senator LODGE. Their costs have risen, have they not?

Mr. HOOVER. Yes; all costs have risen.

Senator LODGE. I do not quite understand how you expect to get three different sugars at different prices.

Mr. HOOVER. By purchase.

Senator LODGE. Let the Government purchase them all?

Mr. HOOVER. Yes.

Senator LODGE. And then sell them all as Government sugar at a certain price?

Mr. HOOVER. That is it.

Senator LODGE. Do you think that the Cubans would accept an arrangement of that kind?

Mr. HOOVER. I think so, because we would purchase American sugars at variable prices. Some factories in this country have made too much profits this year. We could expect a factory producing at 4 cents to make a legitimate profit by selling sugar at 5. The other factories might have to sell at 8 in order to stimulate production.

Senator LODGE. I have heard it stated that the estimates of cost in beet sugar factories vary from three and a fraction to five and a fraction. Even those whose cost is five and a fraction would make a profit of 7.25, would they not?

Mr. HOOVER. But it should be always borne in mind that $7.25 contains the freight, differential, and the selling costs.

Senator LODGE. It does not contain the whole freight.

Mr. HOOVER. The actual average return to the factories is probably $6.70 or $6.80, somewhere along there. Some factories contend their costs are higher than that figure at the present moment. That statement I make on their contenttion; I have not investigated their books.

Senator LODGE. The cost of Louisiana is higher.

Mr. HOOVER. That is true.

Senator VARDAMAN. If I understand you correctly, if the law should be amended so as to permit you to buy the sugar, make the Government the purchaser of beet sugar from the factory, would you desire that the Government should give you the power to fix the price of sugar at the factory and take it at what you think it is worth—commandeer it, as it were?

Mr. HOOVER. I think the natural course of that sort of thing would be to set up some sort of an independent body to determine a proper figure to be given in this matter.

Senator VARDAMAN. And you would buy from the factories at different prices, taking into account the cost of production, etc.?

Mr. HOOVER. Yes.

Senator VARDAMAN. The factory that produced sugar at 2 cents a pound would be given less than the factory that produced sugar at 5 cents a pound?

Mr. HOOVER. Yes.

Senator VARDAMAN. In that way penalizing thrift, and rewarding the nonprogressive?

Mr. HOOVER. Well, it is oftener a case of territorial advantage. I do not regard those methods as being a permanent form of economic life. They are methods of meeting the difficulties into which we have been plunged as a result of the war.

Senator LODGE. In that connection, Mr. Hoover, before I get practically to the end of my questions, I should be very glad if you would state the fact—what we want to get at are the facts—as to what you would do if you had all necessary powers or all the powers that you

think are desirable; what would be your policy in dealing with the sugar question for the coming year?

Mr. HOOVER. I should hesitate to outline that entirely at the present moment, because——

Senator LODGE. I do not mean as to prices.

Mr. HOOVER. I had not contemplated that eventuality and have not made any intimate study of the matter. I am greatly troubled over a method to equalize the beet-sugar producer with the risks of the situation with which the factories are confronted. The suggestion I have made might, on further investigation, prove not to be correct. It is in fact a suggestion of perfection rather than a suggestion of compromise. But in any event it does appeal to me that if the Government had the same right to purchase sugar that it has to purchase wheat it could liquidate out the inequalities of the situation into which the beet grower is thrown.

Senator LODGE. To buy sugar, not at a fixed price, but a price which the Government arranged itself—I mean by agreement?

Mr. HOOVER. They would undoubtedly arrange it in agreement and after proper hearing of all sides.

Senator LODGE. What is the basis on which you buy wheat?

Mr. HOOVER. The price?

Senator LODGE. Yes. I mean what is the system on which you buy wheat?

Mr. HOOVER. The price for Government purchase of wheat was determined by a commission appointed by the President and is based on a Chicago price and spread with freight differentials over the entire country. That is not a parallel situation, because wheat is produced by 3,000,000 different units, whereas sugar is produced by a much smaller number and a number capable of individual dealing.

Senator LODGE. It comes from different sources?

Mr. HOOVER. Yes.

Senator LODGE. But your plan, generally speaking, would be to have the Government take control of the sugar crop?

Mr. HOOVER. That or some other device——

Senator LODGE. Not at any price fixed by law?

Mr. HOOVER. No—that or some other device to secure a proper stimulation and treatment of the beet grower.

Senator LODGE. There would have to be stimulation of the cane grower, would there not?

Mr. HOOVER. Yes.

Senator LODGE. That would be by having the Government control the buying?

Mr. HOOVER. The Government would have to take a commitment on next year's beet sugar.

Senator LODGE. On all the sugar, would it not?

Mr. HOOVER. Not necessarily. The difficulty we are confronted with now is that the price of beets must be fixed now for a year hence.

Senator LODGE. Yes; I understand.

Mr. HOOVER. Whereas the Cuban and the other contract arrangements are settled, we have here to venture into the future, beyond this year's requirements, and that, if we are to settle that out, requires some kind of governmental action, which we do not see our way clear under the present power to take. At the moment the only solution

appears to me to be to agree to the purchase of the sugar, and such a purchase would be limited at the present moment to an undertaking to the beet growers.

Senator LODGE. You would either purchase the Louisiana or Porto Rican or Hawaiian sugars or arrange a price?

Mr. HOOVER. Yes, at a later stage.

Senator LODGE. It would be one or the other?

Mr. HOOVER. Well, the beet case is the acute one. The others would necessarily proceed with perhaps some assurance to Louisiana.

Senator LODGE. Because there is a greater variety in each single producer, of course.

Mr. HOOVER. Yes.

Senator LODGE. The costs for Louisiana, for Porto Rico, for Hawaii, and for Cuba in their several localities are pretty uniform, are they not, throughout the islands?

Mr. HOOVER. Yes; and the profits which they can earn on the present price of Cuban sugar are sufficient to stimulate their production.

Senator LODGE. And to stimulate production in Porto Rico and Hawaii, of course?

Mr. HOOVER. Yes.

Senator LODGE. Because they are based on the Cuban price?

Mr. HOOVER. Yes.

Senator LODGE. Louisiana you have to give more?

Mr. HOOVER. The Louisiana problem is a difficult one. This year they have had very bad luck with their crop, and they need some help, I think.

Senator LODGE. Do the costs differ much in Cuba, in the different parts of the island, or among the different centrales.

Mr. HOOVER. Yes; they vary over a range. I do not know the total amount. Some of the larger producers would be able to produce at somewhere around 3 cents to 3.90, I believe.

Senator VARDAMAN. It costs a good deal more to produce sugar in Louisiana than it does in Cuba, does it not?

Mr. HOOVER. Yes.

Senator LODGE. Are the costs in Louisiana pretty uniform?

Mr. HOOVER. There is nothing like the variation, I understand, that there is in Cuba.

Senator LODGE. And they are fairly uniform in Hawaii and Porto Rico?

Mr. HOOVER. Yes.

Senator LODGE. Then, in Cuba, in getting a price in order to stimulate production, of course you would have to use the same policy you used with the beet factories, would you not—give a price which would allow the more expensive producers to come in?

Mr. HOOVER. As a matter of commercial arrangement, it probably would not be necessary to buy the Cuban sugar, but perhaps bring about a contract between the refiners, much as has been done this year, but the beet men must be pledged a year in advance, and they have pledged themselves for a year hence, whereas we do not need to enter into any further negotiations with Cuba for another year.

Senator LODGE. And you allow the refiners, for cost and profit, $1.35?

Mr. HOOVER. $1.30 per hundred. That was based on an investigation of the increased cost due to the war, the average prewar margin having proved to be 8.47, and we find that the various charges to which they are subjected had—I do not know that you are interested in the different items of increased cost.

Senator VARDAMAN. I wish you would state them if you have them there.

Mr. HOOVER. As you understand, in refining sugar there is about one-sixth per cent loss from sugar to molasses, and as the price of the raws increases that one-sixth per cent represents a larger item. The loss in sugar percentage, the increased costs due to that, is about 14 cents over prewar. The increased cost of labor is 5 cents (these are per hundred pounds); fuel, 5 cents; containers, 12 cents (that is, bagging and various forms of containers); the general refining expenses in the shape of bone, coal, acids, paper, twine, filter bags, and general supplies are 10 cents; the repairs, copper castings, etc., 1 cent; and the increased cost of insurance and interest on the larger monetary volume handled at the higher price come out at 5 cents more. The total comes to 136.71.

The CHAIRMAN. Pardon me—you say, increased insurance, 5 cents a hundred pounds?

Mr. HOOVER. No; insurance and interest. You see, the monetary value of the product is increased by the higher price. Then, from this figure of 136.7 has to be deducted an increase in the value of the molasses, probably between 5 and 6 cents, so that we come out at somewhere about 131 as being simply the increased cost between now and prewar conditions. I might state, in that connection, that the Pennsylvania Refining Co., at Philadelphia, tell me that their actual costs are 128, and that they are only making 2 cents of profit at the present moment.

Senator LODGE. Per hundred pounds?

Mr. HOOVER. Per hundred pounds; and a number of refiners are now raising the question as to whether or not the increased costs do not entitled them to a larger margin; but that would have to be subject to an investigation again of the situation.

Senator VARDAMAN. Your purpose in the calculation you made there was to reach the end so as to insure them the same profit that they enjoyed in normal times?

Mr. HOOVER. We started off here with the instruction from the President that prewar normal profits should form our basis of action, and we have endeavored to maintain that situation.

Senator VARDAMAN. Regardless of what other people suffered in the way of loss, these refiners must have the same profits now that they had in prewar times?

Mr. HOOVER. Well, the actual fact is that this represents a reduction of some fifty-odd cents on the average of refining costs during the first nine months of this year. The actual figures on our estimate of the refiner's margin for the first nine months of 1917, I think, were 1.84. In fixing it at 1.30 we lowered the refining margin by 50 cents.

Senator VARDAMAN. You therefore did not carry out the instructions of the President, did you?

Mr. HOOVER. No; from what I contemplate was an extortionate profit—the refiner's differential had been raised to an entirely undue degree, and we reduced it some 50 cents, and thereby made a saving to the American people of upwards of $24,000,000 if these regulations continue for a year.

Senator VARDAMAN. Then, the refiner is not getting the prewar profits that the President instructed you to allow him?

Mr. HOOVER. I think he is not getting them at the moment, because the costs have risen further since this differential was determined.

Senator VARDAMAN. But was he getting them when you fixed the price?

Mr. HOOVER. We assume that he was, because——

Senator VARDAMAN. That was your purpose?

Mr. HOOVER. That was our purpose.

Senator VARDAMAN. To give him the same profits that he had enjoyed in normal times?

Mr. HOOVER. But to relieve him of the profits that he was enjoying by virtue of the war situation.

Senator VARDAMAN. What are those? I did not understand you.

Mr. HOOVER. To put it in another way, the prewar differential of about 85 cents had risen to $1.84 when the food bill came into operation and had averaged that in our calculations over the whole of the previous nine months; and we thereupon reduced the refiners' differential from $1.84 to $1.30.

Senator VARDAMAN. That was the average profit that he enjoyed during the prewar years. That is what the President told you to give him, was it not?

Mr. HOOVER. To give him 85 plus his additional costs.

Senator VARDAMAN. That is the idea—to give him the profits that he enjoyed in normal times?

Mr. HOOVER. That is the basis on which we operated.

Senator LODGE. Is he getting those profits under these figures?

Mr. HOOVER. I do not think so. I think the additional cost, the additional rise in labor and costs since this was arrived at, has cut into it considerably.

Senator VARDAMAN. You say they have made complaints to you that they were not getting enough?

Mr. HOOVER. They have.

The CHAIRMAN. Who has?

Mr. HOOVER. The refiners.

Senator VARDAMAN. What refiners, please?

Mr. HOOVER. Mr. Earle, in particular, says that his refinery is running at a cost of $1.28 at the present time.

Senator VARDAMAN. Is he the only one?

Mr. HOOVER. Mr. Spreckels protested against $1.30 from the beginning.

Senator VARDAMAN. And yet he offered to do it for actual cost, did he not?

Mr. HOOVER. No, sir. I never have had any communication from Mr. Spreckels offering to work for this Government for nothing. I have two letters, which have already been introduced in the record, from Mr. Spreckels, offering to refine sugar on behalf of the Government on some fair toll basis—in other words, to take a Government contract. This letter, I believe, was handed to me by Mr. Lowry, and

Mr. Lowry never made any suggestion to me that Mr. Spreckels would work for nothing.

Senator VARDAMAN. That is rather extraordinary for a refiner.

Mr. HOOVER. And certainly it is not in any of the correspondence.

Senator JONES. I think Mr. Spreckels offered in evidence here some telegram or something.

Senator LODGE. Oh, his letters were put in evidence.

Senator VARDAMAN. They are all in evidence.

Senator LODGE. And Mr. Rolph's answers.

Senator JONES. Have these letters been put in evidence here?

Senator LODGE. Mr. Spreckels's offer was put in evidence, and Mr. Rolph's answer.

Senator JONES. Here seems to be another.

Mr. HOOVER. These are the same letters, and there is nothing in this correspondence that offers to work for the Government for nothing.

Senator JONES. If they are the same letters, that is all right.

The CHAIRMAN. Let us get that right, for the sake of not setting up any straw man, either inadvertently or otherwise, and then tearing him to pieces. Neither Mr. Spreckels nor anybody else said that Mr. Spreckels offered to work for nothing, as a general proposition. There is a telegram here in evidence, or a letter, in which Mr. Spreckels said that if he was permitted to buy sugars in the market, he would refine them and sell them to the American people without any raise of price, notwithstanding the fact that he might have to pay more for the raw sugars. That is the statement, I think——

Senator LODGE. That is the statement.

The CHAIRMAN (continuing). Which misled some of us here.

Mr. HOOVER. That does not follow——

Senator JONES. I remember that statement, and I listened to Mr. Spreckels testifying. My memory may be at fault, of course, but I understood him to state before the committee here, two or three or more times, that he had proposed to operate his plant at cost without any profit at all.

Senator VARDAMAN. I think he said that.

Senator JONES. Yes; I think he said that.

The CHAIRMAN. Well, I may be in error. Let us have the record.

Senator VARDAMAN. He said that other thing, but I think he said that, also.

Senator JONES. That is my recollection, and if these letters are in the record I do not care to bother the committee further.

The CHAIRMAN. Let us have the record, since we have gone into that.

Mr. HOOVER. I have not had any refiner make that offer. I may say that of the whole lot.

Senator LODGE. While they are looking for the record, Mr. Hoover, there is one question I wanted to ask, a little aside from the main issue. My attention was called to it by what you said about the refiner's profits and the reduction in profits. I happen to belong to the unfortunate committee to which is intrusted the imposition of taxes, and we built our structure very largely on excess profits. What becomes of our excess-profits tax in this case?

Mr. HOOVER. I am afraid that in the food trade, if the food bill is carried out, there will be no great amount of excess profits.

Senator LODGE. That is exactly what I wanted to know.

Senator KENYON. I want to ask you a question or two, Mr. Hoover. I should like to ask you in a general way how the people of the country have responded to your appeals for conservation of foodstuffs?

Mr. HOOVER. We believe that the response has been very great. It is difficult to get tangible evidence in the case of sugar, because we were in the face of a shortage in any event; but the returns from the manufacturers and others indicate a very considerable reduction.

Senator KENYON. I will ask you if you noticed in the Washington Post this morning a column and a half as to how Washington is responding or failing to respond?

Mr. HOOVER. I did not.

Senator KENYON. And an interview from some gentleman—Mr. Cady, of Texas? We have tried to get in touch with him this afternoon to subpœna him, but have not been able to get him. In that interview he claims that the restaurants and the hotels are paying no attention to the orders and appeals which you are making.

Mr. HOOVER. The private homes in Washington, as in all other cities, are responding in a most patriotic manner. The hotels and restaurants are entirely under voluntary agreement, and I regret to say that the response has not been as great as we had hoped in some instances. A number of hotels are doing their best.

Senator KENYON. Are you referring to Washington or the whole country?

Mr. HOOVER. I should hesitate to make that discrimination at the moment, but I am not enthusiastic over the results obtained from the public eating places, taking them by and large; and I do believe that we need some legislation that will enable us to impose conservation on public eating places.

Senator KENYON. You think the appeals to patriotism and the necessity of conserving food to win the war are not sufficient for some of these gentlemen?

Mr. HOOVER. Well, a large portion of them initially responded, but a certain minority did not, and competitive conditions immediately began to eat back to the original position. They have not the constancy of patriotism of the individual in the home.

Senator KENYON. Have the dining cars of the railroads responded—the dining-car service?

Mr. HOOVER. In most of the railroads they have responded very well. There are one or two of them that we are not at all satisfied with, but under the new régime I believe we are in position to secure that end now.

Senator LODGE. The Boston hotels are pretty stringent.

Mr. HOOVER. The Boston hotels have done very well.

Senator KENYON. You have nothing to do with the coal situation now, Mr. Hoover?

Mr. HOOVER. Thank the Lord, I have not.

Senator VARDAMAN. I know, so far as my observation is concerned, that here in Washington it is almost impossible to get enough sugar to put in your coffee.

Senator JONES. Senator Lodge, are you through with Mr. Hoover?

Senator LODGE. I am entirely through with Mr. Hoover.

Senator JONES. Are you, Senator Kenyon?

Senator KENYON. I think I am; yes.

The CHAIRMAN. Before you begin, Senator Jones, the copy of the telegram referred to, which Mr. Spreckels sent, is not in the copy of the record that I have. The reporter has left it out, but it is copied in the letter written to Mr. Spreckels in reply. I suppose that telegram is copied in some one of these numerous carbon copies. After speaking about the necessity for securing sugar and the request that he be allowed to purchase and pay more than 6.90, that telegram closed with the statement:

We are willing to forego any profit and continue to sell at your present price.

That is the statement that was made in the telegram. Now, of course, it is immaterial to me, but we ought not to get into confusion. Is it claimed that Mr. Spreckels testified that he had said to Mr. Hoover or Mr. Hoover's representatives that he was willing to work for nothing?

Senator JONES. My recollection is that Mr. Spreckels testified two or three times, and perhaps oftener, that he had offered to operate his plant without profit.

The CHAIRMAN. This is the statement, I think, to which you refer. It follows immediately after the reading of this letter and telegram. This testimony refers to the subject matter of the discussion in the letter and telegram, which was the permission to Mr. Spreckels to pay a higher price than 6.90 at that time, coupled with his proposition not to raise the price to the consumer in this country. Immediately following that, these questions appear:

I am going to pause there long enough to ask you if you know of any sugar supply in Cuba being held in speculative hands at that time?

Mr. SPRECKELS. I did not know of any.

The CHAIRMAN. He says:

"Other refiners have shut down rather than exceed the price fixed."

Do you know of any other refiners shutting down rather than exceed the price fixed?

Mr. SPRECKELS. I do not know that any other refiner was willing to pay a greater price for raw material. Perhaps they wanted to work for the profit, while I was willing to work without a profit.

He was speaking of this proposition, very clearly.

Other refiners were in the same position in which we were, because they could not get their sugars.

I am inclined to think, without going into the matter—it seems to me somewhat immaterial—that that is the statement you have in mind, Senator Jones. However, the record can be examined to-night.

Senator JONES. Oh, yes; to be sure.

The CHAIRMAN. I know you do not want to do anybody an injustice.

Senator JONES. Not at all.

The CHAIRMAN. And I take it Mr. Hoover does not, and I am sure whatever the record is——

Senator JONES. Of course the record will speak for itself as to just what he did say and the connection in which he made the statement.

The CHAIRMAN. Yes.

Senator JONES. Mr. Hoover, this morning you were examined at some length upon the testimony which you gave before the Committee on Agriculture; and if I was able to get the drift of the examina-

tion, the purpose of it, it was to show that it was unwise, in the face of possible shortage of a necessity, to make alarming statements concerning it, and therefore the statement should not have been made regarding possible shortage of the Cuban production which did not occur, and I gathered from your testimony as to the statement made by you regarding that possible shortage of sugar in Cuba which did not eventuate that so far as you were concerned you were opposed to having that go out to the public and assumed that it was given under confidential conditions; is that true?

Mr. HOOVER. That is true; and, furthermore, there is a confusion about it, I feel. There were two possibilities confronting the country at the moment. The first was the operation of certain influences in Cuba that would reduce the crop, and they were more of fear than otherwise. The second was the allied trenching on our supplies. As to the first, I confess that I was greatly fearful of any news going to the country in connection with it which would cause undue alarm. As to the second, I considered that it was our duty to explain the situation of the allies and ourselves, the necessity of self-denial and saving on our part in order to enable them to get through. As to the first, I myself objected strongly to its going to the country, and it did not eventuate, because of the remedies undertaken.

The CHAIRMAN. May I ask a question there, Senator Jones?

Senator JONES. Certainly.

The CHAIRMAN. Had not that information, which you say you did not want to go to the country, been given to the country regularly every morning and every evening by the newspapers of this country?

Mr. HOOVER. It may have been to some extent, Senator, but the statement coming from me might have caused a flurry.

The CHAIRMAN. Was it not much more broadly stated than you stated it, in practically every newspaper of the land, for days and weeks?

Mr. HOOVER. There had been a good deal in the newspapers. All the points that arise on it at the moment is whether I contributed to that situation. If the newspapers had done it outside of myself, it is not a matter for discussion.

Senator LODGE. I would like to say to Senator Jones, I do not think he intended it, but he undertook to say what the purposes of my examination were. The purposes of my examination were simply to get at the facts. I meant to ask nothing but fair and reasonable questions.

Mr. HOOVER. They are fair, Senator.

Senator JONES. I did not intend to insinuate that there were any sinister purposes, Senator.

Senator LODGE. I think you did.

Senator JONES. I did not so intend, I assure you.

Senator LODGE. I was trying to get the facts, and get Mr. Hoover's views.

Senator JONES. I think that is quite true.

Senator LODGE. I meant to be entirely fair in my examination.

Senator JONES. And you were exceedingly fair, and if you will accept the compliment from a novice at the business, I think your examination here has been most superb in many ways, and certainly always gentlemanly and fair-minded.

Senator LODGE. I accept the compliment without reply.

The CHAIRMAN. If the mutual admiration society is through with its business, we will go on with the hearing.

Senator JONES. To make plain what I would like to get into the record, I understand that it will be contended by some—and I have surmised that it might be so contended by some members of this subcommittee—that publishing statements regarding a shortage and advising methods to conserve the supply in view of a probable shortage themselves contributed largely to the creation of the shortage, bringing about hoarding, and that sort of thing. What I want to get into the record, if it is a fact, is whether or not these trade journals generally do publish to the country just what the situation is regarding these necessary commodities?

Mr. HOOVER. Yes, sir.

Senator JONES. And it is not possible to keep from the trade, and from the public generally, the actual facts regarding the supply of these necessaries of life, is it?

Mr. HOOVER. No, sir.

Senator JONES. What, then, in your judgment, is the effect of calling upon the public at large to assist in conserving the supply in order to prevent an absolute shortage to some of the consumers of the country?

Mr. HOOVER. I think the public response has been admirable in all commodities where those appeals have been made. With some of them we can demonstrate it; with others it is difficult to demonstrate.

Senator JONES. During the months of February, March, and April—the spring of this year—do you know whether or not the trade journals and trade circulars of the different refineries did repeatedly call attention to the anticipated condition of the sugar supply and the sugar market?

Mr. HOVER. During February and March there is evidence in the journals of a genuine scare, due to the outbreak of the war, long before I arrived in the United States, and there was some run on the sugar bank at that time. All of the trade journals indicate that that was taking place. After that preliminary flurry was over I do not think there hs been any hoarding in the country. By the middle of August most of the trade journals were anticipating a shortage. I have here extracts from them, but I think they are all more or less in the same order.

Senator JONES. I had intended putting into the record some excerpts from trade journals, but I do not know that it will be necessary to do that. I think it is generally conceded that these journals just about reflected the conditions which are shown upon that chart as to prices, did they not?

Mr. HOOVER. Quite accurately.

Senator LODGE. Would it interrupt you if I asked Mr. Hoover a question on the subject which I entirely forgot to touch upon?

Senator JONES. Not at all.

Senator LODGE. It relates to the repeal of the drawback on sugar. A good deal of weight has been placed on that in these examinations. You have not referred to it. Did it have any material effect in inducing the allied governments to buy raw rather than refined sugar?

Mr. HOOVER. My impression is that during that discussion they got in a flurry, in a panic, and bought a large amount of raws, and that that period was the critical period. You will find the purchases

of their raws took place—some 230,000 tons they purchased, at one period, in a panic-stricken sort of fashion, took place—apparently between the middle of June and the middle of August, and it was that period in which the great rise of sugar took place.

Senator LODGE. That was the principal effect of the proposed repeal, the effect on the allied buying?

Mr. HOOVER. I do not think it made any difference in the ultimate result, because if they had not bought Cuban raws they would have bought our refined and we would have had to part with it.

Senator LODGE. Precisely. I was one of those who was opposed to the repeal, but I was overruled.

The CHAIRMAN. That did cause the August rise?

Mr. HOOVER. I think it contributed materially to it. It was a perfectly panic-stricken buying.

The CHAIRMAN. When that was over, when that was settled, out of the way, the price fell back?

Mr. HOOVER. We came into action the 10th of August, and one of the first acts I did was to ask them to cease buying in that fashion, that they were raising the price of sugar daily.

The CHAIRMAN. Yes; but I say when the danger through the Senate amendment was over and that cause was removed, did the prices then fall back—recede?

Mr. HOOVER. I do not precisely recollect the dates.

The CHAIRMAN. Approximately?

Mr. HOOVER. But about the same time I intervened and asked them to stop buying.

The CHAIRMAN. Do you attribute the falling off of the price to your action or to the fact that the danger which had threatened on account of the legislation had been removed by the removal of the Senate amendment?

Mr. HOOVER. I think the falling off of the price was due to our action, because if we had not taken the action the American refiner would have continued to buy at the high level.

The CHAIRMAN. That is to say, you think that if the price went up it was the fault of Congress——

Mr. HOOVER. No.

The CHAIRMAN (continuing). In introducing a bill?

Mr. HOOVER. No.

The CHAIRMAN. Or proposing to change the level? But if it went down when that bill was killed, that the cause of the reduction was your action?

Mr. HOOVER. No, Senator; I do not think that. I think it was due solely to the panic of the allied buying and nothing to do with Congress.

The CHAIRMAN. The panic was caused among the allies, as I understood you, by the fact that there was a proposal to repeal the drawback. That was the cause of the panic and that was the cause of the high prices. You have just said that.

Mr. HOOVER. I said it was at a coincident period. I had no proof of it.

The CHAIRMAN. Did you not say that was the reason? That was Senator Lodge's question. Of course, Mr. Hoover, if you want to modify that statement, it is all right. But you very clearly said that in answer to Senator Lodge, that that did create a flurry, a

sort of a panic; that the foreign Governments rushed in and bought something over 200,000 tons of raw sugar. Now, I am asking you if the fact that that amendment was speedily killed in Congress had any effect on bringing the prices of sugar back to where they were before the contemplated legislation advanced the price?

Mr. HOOVER. I do not see that it is possible to determine. At the same moment we had taken action jointly to control the price to some extent.

The CHAIRMAN. Then it is not possible to determine that the introduction of this amendment created the rise in price, either, is it?

Mr. HOOVER. Only so far as the allies might have been panic stricken about it, that is all.

The CHAIRMAN. You do not know that, do you?

Mr. HOOVER. No; I do not contend that. I only say that it happened about the same time.

The CHAIRMAN. It happened that it went up when legislation was proposed, and it happened to come down when the legislation was defeated, and it happened that about that time you took some action, too, and you do not know which caused the reduction in the price?

Mr. HOOVER. No; I am not prepared to say what the cause and effect of any of these things are in their relative weight.

The CHAIRMAN. Very well. Senator Jones, are you going to be some little time examining Mr. Hoover?

Senator JONES. I was just thinking that we might shorten this examination and conclude it right away. There are a number of things I would like very much to ask Mr. Hoover about, somewhat more in detail.

The CHAIRMAN. I wanted to adjourn at 5 o'clock, if we could.

Senator JONES. Mr. Hoover, a while ago you handed me a paper which you stated you would like to get into the record.

Mr. HOOVER. Yes, sir.

Senator JONES. I understand that it is a concise statement of the sugar-shortage situation as you see it, and I believe it would be to the advantage of the committee, Mr. Chairman, and of those studying this question, if that should go in the record, and if that may go in the record, I do not care to examine the witness any further.

The CHAIRMAN. The committee has not seen the statement.

Senator JONES. It was presented to the committee.

The CHAIRMAN. It has just been handed to you.

Senator JONES. It was handed a while ago.

The CHAIRMAN. I have no objection to it. Nobody has had a chance to see it.

Senator KENYON. There is no objection to its going in, is there?

The CHAIRMAN. I do not know. It is somewhat unusual for a witness to appear and testify, and then prepare a statement——

Senator KENYON. I understand this is the same statement that was given to the press.

Senator JONES. It is, I understand, with an added table or two, showing the prospective supply of sugar for the next season.

Mr. HOOVER. That is it.

The CHAIRMAN. Is this statement that was sent to the committee and which afterwards was given out to the press in a statement by the President?

Mr. HOOVER. Yes, sir; that is the same statement.

The CHAIRMAN. Did you feel that you had to take that statement to the President in order to get it published, Mr. Hoover?

Mr. HOOVER. It was sent to the President coincident with being sent to the committee.

The CHAIRMAN. That is not my question. The statement was given to the country. In order to get that statement before the country it was taken to the President, and by his intervention it was published. Did you think it was necessary to do that in order to get this paper published.

Mr. HOOVER. Yes; I thought it was necessary in order to get it done.

The CHAIRMAN. Had you had any difficulty in getting your material published?

Mr. HOOVER. This was a statement to the committee, and I was told that a statement given to this committee could not be released for publication by myself without the committee's approval.

The CHAIRMAN. You knew that the committee declined to receive it, did you not, and that the statement was made to your representative very clearly, and made in public, that you were at perfect liberty to print it, that you had already printed a statement commenting upon the evidence of one of the witnesses, that you had the whole press of the country, a press bureau, and a perfect right to get it out if you wanted to; and did you not know that I made that statement, in substance and effect, in public in the presence of your representative?

Mr. HOOVER. I am not aware that you made that statement; but I may say this further, that I understood that you refused to give the statement to the press.

The CHAIRMAN. Because the committee had not received it formally, declined to receive it, saying that they desired to have you testify, and therefore they were not at liberty to give out a statement that was not yet, properly speaking, in their custody. That was the reason assigned. But the statement was also made, Mr. Hoover, very clearly made, that you had the absolute right to give it out if you desired. I was just wondering, in view of that published statement, how it happened that the information was given to the public that you could only get this statement before the public by having it sent out through the President.

Senator JONES. I think perhaps that may involve some action of mine. I was approached by Judge Lindley and asked to ascertain whether or not it would be considered by the committee an act of discourtesy to the committee if Mr. Hoover should give that statement to the press. I conferred with the committee regarding that request; and without stating what occurred in the committee, if I did not properly interpret the action of the committee that is my fault. But the communication which I made to Mr. Hoover's representative, Judge Lindley, in regard to the publication of the paper, was that the committee declined to give any expression as to whether or not it would be considered an act of discourtesy on the part of the committee if Mr. Hoover gave that statement to the press.

The CHAIRMAN. Well, the question of its being a courtesy or discourtesy could not be settled by the President's intervention. That would not change the question of courtesy. The only reason I raised the question was that the statement had gone out to the country that

you had been deprived of the opportunity of having your side go to the country, and that that was done by the committee. Now, the committee declined to receive your statement and put it into the record because the committee desired that you should have the opportunity and exercise the right to make any statement that you might wish to make. That is as far as the committee went, and no further, and the statement was very clearly made, and I will find it in a moment in the record. [After a further search of the record.] I will not take the trouble to find it now. It can be found.

Mr. HOOVER. May I make a statement on that, Senator Reed?

The CHAIRMAN. Yes.

Mr. HOOVER. I sent that statement to the committee on Saturday, in hopes that the committee might introduce it in the record and allow it to go to the public, and for one reason only, and that was that the statement had been scattered broadcast over the country giving the impression that there were ample sugar supplies in the country. That was the disaster to the propaganda we had been carrying on for conservation and a reduction in consumption. We had great numbers of inquiries on that point. I therefore was anxious that a statement should go before the public as soon as possible, ventilating what I believed to be the true situation.

The CHAIRMAN. Let me interrupt you there.

Mr. HOOVER. Might I go on and finish my statement?

The CHAIRMAN. Certainly. I was going to ask you a question, but——

Mr. HOOVER. That statement was sent to the committee and it was asked that they introduce it in the record, and therefore release it for publication. I understood from Senator Jones's message that the committee declined to say whether it was a discourtesy or not if I sent it out, and I therefore stated, or determined, that I would not send it out. I refused all applications of the press to see the statement. and it was already placed in the President's hands and he ultimately determined to send it out himself, and that was done. If I had known that it would have been considered no discourtesy by the committee, I would have been glad to send it out on Saturday, but I was left wholly uninstructed in the matter.

The CHAIRMAN. I do not care to pursue this at any length, but this much I want to say to you: The statement I find here is simply this, after stating that Mr. Hoover would not be called at that time. I said:

> The committee holds that the statement sent by Mr. Hoover to the committee will not be received. because they expect to put Mr. Hoover upon the witness stand and examine him. like other witnesses.

There is another statement in the record, which has not yet been located. Of course, a statement of this kind could be printed, and to all the newspaper men that came and asked me about it I said that Mr. Hoover was at liberty to do as he saw fit about it. The only point I am trying to make is that I want to remove the impression that the committee in some way or other deprived you of an opportunity to make a statement to the newspapers.

Now, you had unhesitatingly made a statement a few days before that to the newspapers, attacking one of the witnesses, had you not, Mr. Hoover?

Mr. HOOVER. That was a statement regarding matters that took place before the committee. It was not a statement addressed to the committee.

The CHAIRMAN. No; it was a statement regarding matters that took place before the committee. It was not a statement you had written to the committee.

Mr. HOOVER. To which statement wide publicity had been given in the meantime, without opportunity of reply.

The CHAIRMAN. Yes. Well, the opportunity for reply—now, let us attend to one thing at a time. The statement that you criticized was a statement of a witness made under oath before the committee. It was a part of the committee's proceedings. You say you felt at liberty to criticize that, but you did not feel at liberty to give to the press a statement of—the contents of a statement which you yourself had written, and which the committee had not yet received. That is your position.

Mr. HOOVER. Which I was under the impression the committee might consider it a discourtesy if I used.

The CHAIRMAN. You thought they would take it as a discourtesy if you disclosed the contents of a paper you yourself had written and which the committee declined to receive, but that the committee would not take it as a discourtesy if you attacked a witness who had testified before the committee? Now, I think that is pretty plain.

Now, going to the next step, you have just said that the testimony had been given out by Mr. Spreckels, without any opportunity on your part to reply. Immediately following Mr. Spreckels's testimony Mr. Babst was put on the stand, was he not?

Mr. HOOVER. I believe so; but Mr. Babst was neither myself nor a witness on my behalf.

The CHAIRMAN. Did you not give me the name of Mr. Babst as a witness?

Mr. HOOVER. I did not.

The CHAIRMAN. Did you give me the name of Mr. Rolph as a witness?

Mr. HOOVER. I did not.

The CHAIRMAN. Did you write a letter over to me about the witnesses?

Mr. HOOVER. I wrote you a letter about two witnesses that you have not called—Mr. Earle and Judge Milling.

The CHAIRMAN. Yes. Now, wait. You seem to be manifesting a little heat. I hope you are not, Mr. Hoover. Did you not send from your headquarters a letter in response to a letter that we wrote you, suggesting the names of a large number of witnesses?

Mr. HOOVER. No, sir. [After examining some papers.] I will apologize to you, Senator, on the one item. I did suggest Mr. Rolph.

The CHAIRMAN. Yes. Did you also say that Judge Lindley would be there?

Mr. HOOVER. Yes.

The CHAIRMAN. Then in one communication that you sent did you suggest we could get information from—who are these statisticians?

Mr. HOOVER. That is all in the same communication.

The CHAIRMAN. Have you got that communication now?

Mr. HOOVER. Mr. Rolph and Judge Lindley; and I suggested as to the statistics that you might adopt those of Willett & Gray.

The CHAIRMAN. Have you a copy of that letter?

Mr. HOOVER. Here it is. [Indicating in printed document.] I did not suggest Mr. Babst.

The CHAIRMAN. Was there not another letter about this?

Mr. HOOVER. There was another letter in which I suggested one of the independent refiners, Mr. Earle, and Judge Milling, the chairman of the Louisiana producers, who have not been called.

The CHAIRMAN. Well, they are going to be called.

Mr. HOOVER. I hope so.

The CHAIRMAN. But, stop; was Mr. Babst an unsatisfactory witness—an adverse witness? Did you so regard him, as adverse to you?

Mr. HOOVER. I have no opinion whatever on Mr. Babst's testimony. That is not a fair question.

The CHAIRMAN. It is, in view of this situation. I mean to be courteous, to the last degree. Mr. Babst you had selected as one of the members of the International Sugar Committee, had you not?

Mr. HOOVER. Surely; plus a lot of other gentlemen.

The CHAIRMAN. Well, but you had selected him as one of them?

Mr. HOOVER. Yes.

The CHAIRMAN. And the lot of other gentlemen you selected were two other men, were they not, Mr. Rolph and Mr. Jamison?

Mr. HOOVER. And the two gentlemen representing the allied governments.

The CHAIRMAN. You did not select them, did you?

Mr. HOOVER. No; but they constitute the committee.

The CHAIRMAN. Yes, I understand they do. You then selected Mr. Babst, not as one of a lot of other gentlemen, but as one of three Americans that you put on that board. When you did that did you regard Mr. Babst as a man of high honor, truth, and acquainted with the sugar situation?

Mr. HOOVER. I certainly did; but he does not represent the Food Administration.

The CHAIRMAN. Very well.

Mr. HOOVER. He represents the American refiners.

The CHAIRMAN. When he is on this business board that fixes the price of sugars for the world, does he only represent the refiners?

Mr. HOOVER. That committee does not fix the price of sugars for the world.

The CHAIRMAN. Well, it has so much to do with regulating the sugar of the world—I will put it that way. Do they make regulations?

Mr. HOOVER. They make recommendations to me as to the distribution of sugar in the world.

The CHAIRMAN. And they represent only the refiners; they do not represent the sugar administration?

Mr. HOOVER. Not Mr. Babst.

The CHAIRMAN. He is, then, purely a representative of the sugar refiners?

Mr. HOOVER. Yes; selected by me to represent them, together with others.

The CHAIRMAN. You selected him to represent them. Do you complain because the committee put this man on the witness stand whom

you had selected to occupy so important a position in determining the sugar supplies and the sugar distributions of the world? Do you complain about that?

Mr. HOOVER. I have made no complaint, except this——

The CHAIRMAN. I am speaking about the complaint that you, or your side, were not given a chance to be heard. Do you complain because we put Mr. Babst on the stand, he coming to us with this highest certificate that he had obtained by virtue of your appointment? Do you complain because we put him on the stand?

Mr. HOOVER. I asked to go on the stand at the time that Mr. Babst went on the stand, and I was refused. I wished to get over to the country the true state of the sugar situation in order that there should not be disorganization.

The CHAIRMAN. But you did not think that Mr. Babst, a man you put in to dominate the sugar market of the world, was capable or sufficiently trustworthy, so that he could be trusted to get the truth of the situation to the American people?

Mr. HOOVER. I did not believe that Mr. Babst's statement would carry the conviction that my own would.

The CHAIRMAN. I think you are right about that, and I suppose Mr. Babst would concur in your opinion. Now, the next witness we put on immediately following Mr. Babst was Mr. Rolph. You did send us the name of Mr. Rolph as a competent man, did you?

Mr. HOOVER. Yes.

The CHAIRMAN. And you did send him to us as a man whose testimony ought to be heard?

Mr. HOOVER. Yes.

The CHAIRMAN. And he was one of the very men you referred us to for accurate and correct information?

Mr. HOOVER. Yes.

The CHAIRMAN. And Mr. Rolph had testified before you sent over this document which you asked us to insert in the record, and which you afterwards say the President gave out?

Mr. HOOVER. Yes.

The CHAIRMAN. So that the country has had the benefit of the testimony of Mr. Rolph, and that had been given out to the papers because he had been examined by this committee. All that had occurred before you sent over your statement at all.

Mr. HOOVER. And you might interlude that——

The CHAIRMAN. That is true, without the interlude, is it?

Mr. HOOVER. That is true.

The CHAIRMAN. Mr. Rolph had been in the sugar business many years in America, had he not?

Mr. HOOVER. Yes.

The CHAIRMAN. And I suppose from the fact that you chose him for this important position, you regard him as a man especially learned in matters concerning the sugar market of the United States?

Mr. HOOVER. Surely.

The CHAIRMAN. You regard him as a man of high intelligence, of course. That is correct, is it not?

Mr. HOOVER. Surely.

The CHAIRMAN. And he had more experience in the sugar business many times over than you had had?

Mr. HOOVER. But Mr. Rolph was not in possession of the broad picture of the world's sugar situation that I was in possession of and desired to get to the American people.

The CHAIRMAN. Let us see. How long had Mr. Rolph been serving on this international committee? When did he go on that committee?

Mr. HOOVER. Some time in October or November.

The CHAIRMAN. But before he went on the international committee he had been associated with you for how long?

Mr. HOOVER. Probably two or three months.

The CHAIRMAN. And during that time you had been making a study of the world's sugar situation, had you not?

Mr. HOOVER. Surely.

The CHAIRMAN. And had you not been able in that time to impart to Mr. Rolph, who was occupy this important position, the salient facts relative to the world's sugar situation?

Mr. HOOVER. Very probably; but Mr. Rolph's statement of those facts——

The CHAIRMAN. Had he not been able to absorb them?

Mr. HOOVER. Mr. Rolph's statement of those facts probably would not carry to this country the conviction that my own would. Mr. Rolph has not the international picture as I have it. He has had no opportunity to know the situation among the allies as I have.

The CHAIRMAN. Yes.

Mr. HOOVER. My only complaint is that I was not given an early opportunity to come before this committee, either in person or by statement, and 15 days elapsed from December 13th to 28th.

The CHAIRMAN. You are not going to charge up to us as part of that 15 days the time from last Friday, when I hurried back here to the city of Washington to give you a hearing and when you were called away? You are not going to charge that time up to us?

Mr. HOOVER. No; I have taken that out.

The CHAIRMAN. I thought so. I think we might as well stop now until to-morrow morning, because I am going to begin to ask some questions now.

Senator JONES. If we can get that statement in the record I am through with the witness.

The CHAIRMAN. I want to examine it.

Mr. HOOVER. I do not care whether it is in the record or not. You can leave it out if you want to.

(Thereupon, at 5.20 o'clock p. m., the subcommittee adjourned until to-morrow, Thursday, January 3, 1918, at 10.30 o'clock a. m.)

SHORTAGE OF SUGAR.

THURSDAY, JANUARY 3, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., Hon. James A. Reed presiding.

Present: Senators Reed, Vardaman, Jones, Lodge, and Kenyon.

TESTIMONY OF HERBERT HOOVER—Resumed.

The CHAIRMAN. Mr. Hoover, on yesterday this testimony occurred, and I am going to read the context so that it will all appear together, beginning with your answer on page 912 of the typewritten transcript. You are speaking:

Mr. HOOVER. To put it in another way, the prewar differential of about 85 had risen to 1.84 when the food bill came into operation, and had averaged that in our calculations over the whole of the previous nine months; and we thereupon reduced the refiners' differential from 1.84 to 1.30.

Senator VARDAMAN. That was the average profit that he enjoyed during the prewar years. That is what the President told you to give him, was it not?

Mr. HOOVER. To give him 85 plus his additional costs.

Senator VARDAMAN. That is the idea—to give him the profits that he enjoyed in normal times.

Mr. HOOVER. That is the basis on which we operated.

Senator LODGE. Is he getting those profits under these figures?

Mr. HOOVER. I do not think so. I think the additional cost, the additional rise in labor and costs since this was arrived at, has cut into it considerably.

I have read that for the purposes of the context. I continue to read from the transcript:

Senator VARDAMAN. You say they have made complaints to you that they were not getting enough?

Mr. HOOVER. They have.

The CHAIRMAN. Who has?

Mr. HOOVER. The refiners.

Senator VARDAMAN. What refiners, please?

Mr. HOOVER. Mr. Earle in particular says that his refinery is running at a cost of 1.28 at the present time.

Senator VARDAMAN. Is he the only one?

Mr. HOOVER. Mr. Spreckels protested against 1.80 from the beginning.

Senator VARDAMAN. And yet he offered to do it for actual cost, did he not?

And this is what I am now calling attention to particularly:

Mr. HOOVER. No, sir. I never have had any communication from Mr. Spreckels offering to work for the Government for nothing. I have two letters which

have already been introduced in the record from Mr. Spreckels offering to refine sugar on behalf of the Government on some fair toll basis—in other words, to take a Government contract. This letter, I believe, was handed to me by Mr. Lowry, and Mr. Lowry never made any suggestion to me that Mr. Spreckels would work for nothing.

Mr. VARDAMAN. That is rather extraordinary for a refiner.

Mr. HOOVER. And certainly it is not in any of the correspondence.

When was the contract made with the refiners or among the refiners?

Mr. HOOVER. The contract was dated the 1st of October, and negotiated some little time before that—some days before it—I presume.

The CHAIRMAN. You refer to two letters that were introduced in evidence, and I want to read to you from one of those letters and see whether you are not in error when you say that Mr. Spreckels never offered to work for nothing. I read from a letter dated New York, October 31, 1917:

Mr. HERBERT HOOVER,

Food Administrator, Washington, D. C.

DEAR SIR: You will remember that early last May, when the question of food administration was first being discussed, I wrote you a letter, which was presented to you personally by our Mr. Lowry, in which I offered the services of our plant and organization to the Government, stating that we were perfectly willing to operate on a toll basis if desired. Our Mr. Lowry also informed you that the question of profit would be left entirely to the administration, and if it was determined that the sugar industry of this country should operate without profit for the period of the war, we would willingly undertake our share of the work. I also suggested that Mr. Lowry would be very glad to discuss the situation more fully with you if you desired.

You received that letter, did you not?

Mr. HOOVER. I did; but, on the other hand, Mr. Lowry made no such offer to me, nor did Mr. Spreckels's letters of May, to which you refer, contain any offer to work for nothing.

The CHAIRMAN. Your testimony yesterday did not relate to letters of May. There was the broad statement that the two letters that were introduced in evidence——

Mr. HOOVER. The letters of May.

The CHAIRMAN. The letters that were introduced in evidence, the two letters that you referred to, that they did not contain this offer. I have now read to you the first of those two letters that were introduced in evidence and to which you referred in your testimony of yesterday. I shall now read to you the second.

Mr. HOOVER. I think there is a little confusion of mind. The letters to which I referred were letters of May and the letter to which you refer is a letter of October. I think I can clear it up at once. I admit that Mr. Spreckels wrote me that, of course.

The CHAIRMAN. Then you were in error when you said, "I never have had any communication from Mr. Spreckels offering to work for this Government for nothing. I have two letters, which have already been introduced in the record, from Mr. Spreckels offering to refine sugar on behalf of the Government on some fair toll basis"?

Mr. HOOVER. I will modify that and say at once that some three months subsequently Mr. Spreckels wrote to me and said he did make an offer.

The CHAIRMAN. There is no three months subsequently about it. You were testifying yesterday about these two letters that were introduced in evidence. You referred to their contents, and you stated that

they did not contain a certain statement. I am not trying to contradict you, I am just trying to call attention to the fact that those letters about which you were testifying did contain the very statement that was discussed yesterday, namely, that Mr. Spreckels had offered, if it was determined that that should be done, to work his refinery for nothing; and I want in this connection to simply ask if you did not get the letter of November 2 which was also introduced in evidence and which stated, "With reference to my letter of October 31 would say that early in September, etc." Then it contains a long discussion. You received that letter, I think, and in connection with that I call your attention to your own original letter which I present to you. I believe that is your signature, is it not?

Mr. HOOVER. May I look at the letter?

The CHAIRMAN. Certainly. That is your signature, is it not?

Mr. HOOVER. Certainly.

The CHAIRMAN. And I just call your attention to the opening sentence—the letter has already been printed in evidence—"I beg to acknowledge your letters of October 31 and November 2," October 31 being the date of the letter to which I have just called your attention.

Mr. HOOVER. But, Senator, I think there is a little confusion of mind. Here are the two letters I had before me when I made that statement, and they are dated the 15th of May and the 12th of June, and it was in respect to these letters that I made that statement, to which the remark has reference, and which letters are already in the record, I believe.

The CHAIRMAN. Mr. Hoover, I want to say very emphatically that I have not the slightest desire at all to undertake to intimate that you intentionally misstated anything—nothing of the sort. But your statement was a very broad one that Mr. Spreckels had never made any such offer, and I am calling attention to the fact that the letters he wrote did contain the offer. Have you the May letters now before you to which you refer?

Mr. HOOVER. Yes. I quite agree with you, Senator, that at a period some three months after that these letters were written, Mr. Spreckels wrote and said he had made such an offer, but certainly I had not received it at the time, and I did not thing the matter was very consequential.

Senator JONES. That was after the agreement had already been entered into between all of the refiners?

Mr. HOOVER. Oh, yes.

The CHAIRMAN. But it contains the statement that previous offers had been made.

Mr. HOOVER. And I did not deny it.

The CHAIRMAN. And the answer to it, Senator Jones, was not in any way correct—that statement I just offered. It is not worth dwelling on, except to simply indicate that whatever inuendo there was in the matter ought to be withdrawn. Have you the May letters, and if you have I wish you would kindly furnish me with them.

Mr. HOOVER. The two of them are in the record. Here they are. In Mr. Spreckels's testimony he says that at that time he offered to work for nothing, but I call attention to the fact that there is nothing in these letters that conveys that impression. And, Senator, may I call your attention to Mr. Spreckels's evidence that is on my

proof sheet here, "49 L. M.," where, in referring to these specific letters, Mr. Spreckels says——

The CHAIRMAN. Just wait one moment; give me the same page.

Mr. HOOVER. It is about halfway down the page. Mr. Spreckels, in answer to Senator Jones, says:

Since last May. In last May we offered the services of our plant to the Government free of charge.

The CHAIRMAN. That is in that letter you brought in?

Mr. SPRECKELS. It is all stated in that letter.

I call your attention to the fact that it is not stated in that letter.

The CHAIRMAN. I want to call your attention at this time, Mr. Hoover, to the fact that in the June letter—the letter of June 12—which you have just handed me, occurs this expression. The letter is from Mr. Lowry, representing Mr. Spreckels. I read as follows:

You will recall when I first talked with you, speaking for the Federal Sugar Refining Co., I stated that if it should be determined that it was in the best interests of the United States for the Government to buy raw-sugar supplies and fix the selling price on refined sugar, the Federal Sugar Refining Co. was willing to undertake the work of refining this sugar for the Government on a commission or toll basis, and that our business was in such shape that we would be ready to begin this work sometime around the 1st of July.

That indicated that the Federal Sugar Refining Co. was willing to put itself absolutely in the hands of the Food Administration and accept whatever compensation might be fixed.

Mr. HOOVER. I do not see how you can derive that conclusion from the statement that they were prepared to accept a fair toll basis. That becomes a matter of negotiation, I assume.

The CHAIRMAN. Well, let us see. If they were willing to have the Government buy the raw-sugar supplies and to fix a selling price, that would leave them practically in that position, and the only toll they could take would be the toll you fixed, and the buying and selling price would be fixed, and the Government would fix both of them.

Mr. HOOVER. He says a fair toll.

The CHAIRMAN. You did not construe that as an adverse letter, did you; and a letter of a man who is trying to make trouble?

Mr. HOOVER. I do not construe it as an offer of his services for nothing, as Mr. Spreckels says here, to work for the Government for nothing. If a man wants a toll or a commission, I do not assume he is working for nothing.

The CHAIRMAN. But he does state in the October letter—if we are going to get down to the question of technical exactness, he did state in the October letter—that he would work for nothing, and that he had previously told you so; and you, in your testimony that I have just read, said that he had never made that statement. Now, making allowance for the loose statements that witnesses made, do you think Mr. Spreckels is in any worse shape if he said that it was in the May letter when it was in the October letter, while you said that it was not in any letter and it was in the October letter?

Mr. HOOVER. Mr. Spreckels said he made that offer in May.

The CHAIRMAN. You stated that he did not make it at any time.

Mr. HOOVER. I will amend my answer to say that he made it in October.

The CHAIRMAN. Now, probably Mr. Spreckels would like to amend his answer so that it may correspond with the fact. I simply want to remove from both of you gentlemen any reflection.

Mr. HOOVER. He made it in October, when he was already under contract as to what he was to do.

The CHAIRMAN. That is when he was under a contract by which you had agreed that he was to have $1.30.

Mr. HOOVER. Yes.

The CHAIRMAN. And he then came in and said "Even now, although I have that contract, I am willing to work for nothing if the other refiners are willing to do the same thing."

Mr. HOOVER. No; he does not. He says he had previously offered, in the month of May, to do it. I think there is a little confusion, probably, in our minds.

Mr. Spreckels offered to take a certain amount of Cuban sugar and refine it, pro tem, at $1.30.

The CHAIRMAN. That is a different proposition.

That telegram that we are now referring to was one of October 19, in which Mr. Spreckels asked to be permitted to buy some sugars and offered to sell them without raising the price.

Mr. HOOVER. That was it; yes, sir. That was a local proposal.

The CHAIRMAN. The statement made was:

We would gladly pay more for our raw material and agree not to advance our price for refined sugar. We would be willing to work without any profit, or even at a loss, rather than to deprive those who are urgently in need of sugar.

And so forth.

Now, you answered this letter of October 2 in which Mr. Spreckels made the statement that they had prior to this time offered to refine sugars for nothing, and in your answer, although you were discussing the latter for a page and a half, you nowhere challenged the accuracy of the statement I have referred to, did you?

Mr. HOOVER. I think the letter opens up with a statement that I do not propose—is not that letter dated November 2 instead of October 2?

The CHAIRMAN. November 5.

Mr. HOOVER. Will you read the opening paragraph?

The CHAIRMAN. Yes; I will read it. [Reading:]

DEAR MR. SPRECKELS: I beg to acknowledge your letters of October 31 and November 2. I do not think that it is incumbent on me to traverse most of the statements made therein, many of which are based on an entire misconception on your part.

Mr. HOOVER. That I considered was a sufficient mention of the question. I did not propose to enter into disputes in a long correspondence with Mr. Spreckels or any other gentleman in this country. I have probably 5,000 or 6,000 letters in my office to-day, and I can not enter into private disputes. That was a sufficient statement.

The CHAIRMAN. Now, the offer to work for nothing was not a private dispute.

Mr. HOOVER. It seemed to me an immaterial question.

The CHAIRMAN. You do think it is immaterial?

Mr. HOOVER. No; I thought it was at that time.

The CHAIRMAN. Mr. Spreckels's two letters are here. One of them is a long letter, filled with complaints against your having put in charge of the sugar situation Mr. Rolph and Mr. Babst and Mr. Jamison, all of whom were interested parties in the sugar business. Now, are not those what you term your private disputes?

Mr. HOOVER. No.

The CHAIRMAN. Now, we are getting nowhere. We will just let it stand on that.

When you first opened your headquarters did you have a bureau that furnished matter for the press, or some gentleman who furnished matter for the press?

Mr. HOOVER. When we opened the Food Administration on the 10th of August, yes; we opened a public information, or, rather, a publication printing bureau and engaged in the dissemination of information generally on conservation and on food-control matters.

The CHAIRMAN. Prior to that did you have any publicity bureau or publicity man with you, or anybody looking after the matter of publicity?

Mr. HOOVER. There were certain periods before the Food Administration was set up under the food bill, when, on the authorization of the President, we were carrying on a wide propaganda on the subject of conservation.

The CHAIRMAN. Very well.

Mr. HOOVER. I do not remember what the date was.

The CHAIRMAN. You had somebody engaged on that work, did you not?

Mr. HOOVER. There were two or three different people, one time or another.

The CHAIRMAN. Who were the people who had charge of it?

Mr. HOOVER. Mr. Cosgrave at one time; Mr. Samuels, I believe, at one time; and Mr. Allen at one time.

The CHAIRMAN. Mr. Cosgrave?

Mr. HOOVER. Yes.

The CHAIRMAN. When did he have charge?

Mr. HOOVER. I do not recollect those dates.

The CHAIRMAN. Was he the first man?

Mr. HOOVER. He was the first man in entire charge; yes.

The CHAIRMAN. In entire charge?

Mr. HOOVER. Yes.

The CHAIRMAN. Who was the second man you named?

Mr. HOOVER. Mr. Samuels, who was in charge for some time.

The CHAIRMAN. Where did you get Mr. Cosgrove?

Mr. HOOVER. Mr. Cosgrove was formerly the editor of Everybody's Magazine, and later he was on the New York World for a time.

The CHAIRMAN. And he came here and joined you practically as soon as you came to this country?

Mr. HOOVER. No; I do not recall the date, but I should think it was some time after I arrived.

The CHAIRMAN. When you first came here who was the publicity man you had?

Mr. HOOVER. I did not have anybody when I first came.

The CHAIRMAN. How long was it after you came before you had somebody?

Mr. HOOVER. I think the President's authorization to set up the educational work was about the middle of June, or something like that. I do not remember the exact date.

The CHAIRMAN. Who took charge at that time?

Mr. HOOVER. That I can not tell you at the moment. I will have to look it up.

The CHAIRMAN. When did Mr. Allen come here?

Mr. HOOVER. Mr. Allen came with me as my secretary from London.

The CHAIRMAN. Oh, yes. What had Mr. Allen's business been in London?

Mr. HOOVER. Mr. Allen was on the Associated Press at some time.

The CHAIRMAN. When did he become your secretary?

Mr. HOOVER. Sometime before I left London.

The CHAIRMAN. How long?

Mr. HOOVER. I think three or four weeks. In the meantime Mr. Allen had been serving with the Belgian relief.

The CHAIRMAN. Mr. Allen had been the correspondent of the Associated Press in London how long before you secured him as your secretary?

Mr. HOOVER. Oh, I have no knowledge. I suppose five or six weeks.

The CHAIRMAN. And he had been your secretary some four or five weeks before you came to the United States?

Mr. HOOVER. He had been serving part of his time on the Belgian relief, for two years.

The CHAIRMAN. And he had not been in your employ; he had been the correspondent of the Associated Press during that time?

Mr. HOOVER. He was one of their staff and they loaned him a part of the time to the Belgian relief.

The CHAIRMAN. Yes; I am talking about when he became associated with you as your secretary. That was how many weeks before you came to this country?

Mr. HOOVER. I have no idea. It may have been anything between two weeks and five weeks. That is an immaterial point.

The CHAIRMAN. Oh, yes. Just a short time.

Mr. HOOVER. Yes.

The CHAIRMAN. And did he then, when he became associated with you as your secretary, give up his work as the correspondent of the Associated Press?

Mr. HOOVER. Yes.

The CHAIRMAN. He entirely severed his connection?

Mr. HOOVER. Surely.

The CHAIRMAN. He came to this country with you and at once took up the work on publicity?

Mr. HOOVER. No; I brought Mr. Allen initially, because I had to carry on the Belgian relief work at that time, and he was entirely familiar with the organization; I brought him to look after that end of the work.

The CHAIRMAN. How soon did he take up the publicity matters?

Mr. HOOVER. In the Food Administration?

The CHAIRMAN. Yes.

Mr. HOOVER. I think Mr. Allen was placed in entire charge some time—I do not know—in August, I think, or September.

The CHAIRMAN. I am not talking about when he was put in entire charge. I am asking you how soon he took up the publicity matters.

Mr. HOOVER. He was always interested in publicity matters, as most newspaper men are.

The CHAIRMAN. That still is not an answer. I hope you will be quite generously frank with me.

Mr. HOOVER. I am.

The CHAIRMAN. I am only trying to get at what Mr. Allen did when he began to take up publicity matters for you.

Mr. HOOVER. That I can not tell precisely. He acted as my secretary for a while and then took command of those publicity matters. I can not tell you all those dates, but I will be glad to find out, to look them up.

The CHAIRMAN. It is not material, but practically from the first he had something to do with the publicity matters? I am trying to fix this. It is not material in itself, but I am trying to get where I can ask another question.

Mr. Samuels, where did you secure him from?

Mr. HOOVER. He came from Philadelphia.

The CHAIRMAN. And from what newspaper?

Mr. HOOVER. He was connected, I think, with the Country Gentleman—some one of the Curtis Publishing Co.'s papers.

The CHAIRMAN. Mr. Cosgrove and Mr. Samuels and Mr. Allen are paid in some way for their services?

Mr. HOOVER. No; Mr. Cosgrove came as a volunteer for the time he was here.

The CHAIRMAN. How long was he here?

Mr. HOOVER. I think he was here off and on for three months.

The CHAIRMAN. Off and on?

Mr. HOOVER. Yes; he came first all the time and afterwards part of the time.

The CHAIRMAN. How long was he here?

Mr. HOOVER. My impression is that he was here all the time for a month or five weeks.

The CHAIRMAN. And then he went back?

Mr. HOOVER. Yes.

The CHAIRMAN. And took up his connection with his paper?

Mr. HOOVER. Yes.

The CHAIRMAN. And he came over here and donated some of his time for a short time?

Mr. HOOVER. Yes.

The CHAIRMAN. That disposes of that matter. Now, how about Mr. Samuels?

Mr. HOOVER. I do not recollect the date. He came down, I should think, some time in July and worked until he was drafted into the Army.

The CHAIRMAN. When was that?

Mr. HOOVER. I should think about two months ago.

The CHAIRMAN. Mr. Samuels, I think you said, came from the Country Gentleman?

Mr. HOOVER. From some one of the Curtis Publishing Co.'s papers.

The CHAIRMAN. And Mr. Allen had what compensation?

Mr. HOOVER. Mr. Allen had a small salary from the Food Administration. I forget what it was; I think it was $200 a month.

The CHAIRMAN. Anything for expenses?

Mr. HOOVER. Well, that $200 a month is supposed to be expense money. I think Mr. Allen was originally a volunteer, but he could not stand it for so long.

The CHAIRMAN. Did he cease to draw any salary as your secretary?

Mr. HOOVER. When he came on he drew no salary as my secretary. He had a salary for looking after certain matters for the Belgian relief. I do not know what it was exactly, but I think it was $150 a month.

The CHAIRMAN. When he was acting as your secretary did he get any salary?

Mr. HOOVER. I did not pay him anything.

The CHAIRMAN. You did not pay him anything?

Mr. HOOVER. No, sir.

The CHAIRMAN. When he came over here with you, how did he happen to come? How did you happen to come, Mr. Hoover?

Mr. HOOVER. How did I happen to come here?

The CHAIRMAN. Yes.

Mr. HOOVER. I was asked to come here by the Council of National Defense to advise them on food matters.

The CHAIRMAN. Who communicated with you?

Mr. HOOVER. Secretary Lane, if I recollect correctly.

The CHAIRMAN. By letter or cable?

Mr. HOOVER. By cable.

The CHAIRMAN. And you came and brought Mr. Allen with you?

Mr. HOOVER. Yes.

The CHAIRMAN. You did not expect him to do any advising. You brought him along in his capacity of secretary?

Mr. HOOVER. I did. I brought him along because I wanted somebody to help me look after the Belgian relief.

The CHAIRMAN. Then he never was your personal secretary. He was paid whatever he was paid out of the Belgian relief, and afterwards out of the Food Administration?

Mr. HOOVER. Well, it is more or less a matter of terms. The relationship was always that of a secretary, and he had a little allowance from the Belgian relief. He acted for me, and made himself as generally useful as he could.

The CHAIRMAN. Did he look after any of your private matters?

Mr. HOOVER. I do not think so.

The CHAIRMAN. When you got this organization for publicity at work, did you send out a good deal of matter to the newspapers?

Mr. HOOVER. Oh, yes. A great deal of material has been sent out on conservation and other lines.

The CHAIRMAN. What has become of that organization? Is it still in existence?

Mr. HOOVER. The thing has been further developed into a definite educational bureau on conservation and food matters, food saving, and that sort of thing.

The CHAIRMAN. Who is at the head of it?

Mr. HOOVER. Mr. Allen is the head of it now.

The CHAIRMAN. And does it have its headquarters where it had before?

Mr. Hoover. It has its headquarters in the new Food Administration Building.

The CHAIRMAN. Where it was?

Mr. HOOVER. Well——

The CHAIRMAN. And it sends out large quantities of matter to the newspapers from day to day, does it not?

Mr. HOOVER. I do not know that they are large. They send out a great deal of material.

The CHAIRMAN. You were asked to give to the committee all of the matter that had been furnished to the press in the last 30 days.

Mr. HOOVER. That was with relation to sugar.

The CHAIRMAN. No; not with relation to sugar alone. You brought to us 11 sheets of paper containing statements for the press.

Mr. HOOVER. No; they were with relation to sugar. They only comprise that one thing.

The CHAIRMAN. Were you asked simply to bring that which related to sugar?

Mr. HOOVER. That was my understanding. If you wish to have the whole of the material, I do not see any reason why it should not be done, but I do not know that it is important to the sugar inquiry. that is all.

The CHAIRMAN. The request that was made from you, Mr. Hoover. I wrote. I expressly put in it a request for all of the publications or matter you had furnished the press, and I am going to ask you now if you will not kindly give us all that has been furnished to the press in the last 30 days.

There was one matter that we were referring to last night. You spoke about Judge Milling and Mr. Earle not having testified. If we had had Judge Milling or Mr. Earle testify before you testified, Mr. Hoover, I want to say to you that it would only have postponed your testimony that much further. We expect to call those gentlemen——

Mr. HOOVER. I am glad to hear it.

The CHAIRMAN (continuing). And have expected to do it, except that Judge Milling requested to be permitted to put in a statement instead of being examined.

Mr. HOOVER. My suggestion about Mr. Earle was only that I thought the committee should have before them the statements of a number of independent refiners.

Senator KENYON. Could Mr. Earle add anything to the testimony of the men who have testified as to sugar?

Mr. HOOVER. He could give the point of view of the various independent refiners in the country, of whom there are quite a number, and whom I should like to have called, and I think it would help the committee if they could have a representation of those men. There is also the Reverse Refinery at Boston, which is entirely independent.

The CHAIRMAN. You testified yesterday that in fixing the sugar price you had to take into account the fact that there were certain refineries that could barely live at the price fixed. I am speaking of beet sugar now.

Mr. HOOVER. Yes.

The CHAIRMAN. You were asked if you would give us the names of those refineries that could barely exist at the price fixed—7.25.

Mr. HOOVER. I have a list here. I am told that there are probably more of them, but those are the only ones of which we have——

Senator VARDAMAN. Read them.

The CHAIRMAN. I will read them into the record:

The San Joaquin Valley Sugar Co.; factory, Visalia, Cal.

Sacramento Valley Sugar Co.; factory, Hamilton City, Cal.
Chippewa Sugar Refining Co.; factory, Chippewa Falls, Wis.
United States Sugar Co.; factory, Madison, Wis.
Wisconsin Sugar Co.; factory, Menominee Falls, Wis.
Delta Beet Sugar Corporation; factory, Delta, Utah.
Do you know the output of these companies?

Mr. HOOVER. No; I do not. I could get it for you.

The CHAIRMAN. Who prepared this sheet which you have handed me of those that probably could not operate?

Mr. HOOVER. The data originally came to me, some directly from the men, and Mr. Taylor, in our office, gave me that this morning. I asked him to give me the list of those who he was satisfied were running very close on the margin, some of them losing, and others——

The CHAIRMAN. They were losing at the time you fixed the price?

Mr. HOOVER. No; we assumed that we were fixing a price that they could live on, and it was a very close margin to them.

The CHAIRMAN. I say, it was a very close margin at the time you fixed the margin?

Mr. HOOVER. And we have fears now that they are not going to come off with it, owing to the increase of costs.

The CHAIRMAN. I still say, because I want it to be in the record, that at the time you fixed the margin these particular companies could barely live at that margin?

Mr. HOOVER. Yes; we felt that they were just barely covered.

The CHAIRMAN. Do you know what their total output is?

Mr. HOOVER. No; I do not.

The CHAIRMAN. And you think that the right way to handle this matter would be for the Government to buy all of the sugars and pay different prices to different refiners or manufacturers?

Mr. HOOVER. I think it would be the most equitable way.

Senator VARDAMAN. Mr. Chairman, may I ask, just in that connection, if Mr. Hoover knows anything about the price that those manufacturers paid for beets? Those are beet sugar manufacturers that you are giving?

Mr. HOOVER. Yes.

Senator VARDAMAN. Do you know anything about the price they paid for beets to the farmer?

Mr. HOOVER. I only know in a general way, but it is too wide a range. I would have to get the details for you.

(At this point, by request, the reporter read the following question and answer:)

The CHAIRMAN. And you think that the right way to handle this matter would be for the Government to buy all of the sugars and pay different prices to different refiners or manufacturers?

Mr. HOOVER. I think it would be the most equitable way.

Mr. HOOVER. That is not the whole of my answer, if I may continue it.

The CHAIRMAN. Yes.

Mr. HOOVER. I think that if we approach the thing from the point of view of supporting the beet and Louisiana production it would be the most practicable way, because there is this general economic fact in the sugar production to-day: That white labor has advanced enormously in price, whereas the colored labor of Cuba, Porto Rico, and

Hawaii has not so greatly advanced, and the consequence is that they are outdistancing the American production in costs.

The CHAIRMAN. You think that plan is a practicable plan?

Mr. HOOVER. I think it is. I think we could give assurances to the beet industry, if we were able to do it, that would greatly stimulate beet production. That is my own feeling about it. It is a matter of opinion.

The CHAIRMAN. How would you get one beet manufacturer to sell his sugar at, we will say, 5 cents, when aonther man beside him was getting 7?

Mr. HOOVER. Well, I assume that we would put the beet factories on some sort of a toll, the way the cane refiners are, and arrange some sort of assurances to the beet producers. We have not got the details worked out in our minds. We have not contemplated its possibility. I only made it as a suggestion of a solution. We would have to work it out. It requires a great deal of consideration.

The CHAIRMAN. Do you think there would be any danger of a beet factory manufacturing some sugar and selling it on its own account under those circumstances?

Mr. HOOVER. I do not think so, Senator.

The CHAIRMAN. Why not?

Mr. HOOVER. I have confidence that you can depend on the patriotism and character of men who enter into contracts with the Government in these times.

The CHAIRMAN. But they have not made any such contract as that.

Mr. HOOVER. No.

The CHAIRMAN. You do not know whether they would or not?

Mr. HOOVER. Well, one would have, probably, to put up some sort of control that would see that it was done.

The CHAIRMAN. That would make them do it. Now, we have had a good deal of talk about voluntarily doing this thing and voluntarily doing that thing for patriotic reasons. As a matter of fact, back of all of these various devices that are employed there has to be the element of force. That is your position, I think, from your testimony. Am I correct about that?

Mr. HOOVER. I think there has to be an element of authority in it, but there is also an element of fair play.

The CHAIRMAN. Oh, certainly. That enters into everything, but the element of force is one of the essentials, I believe. Now I am going to ask you, Mr. Hoover, if you will not give to us every circular or order that has been issued by you touching the sugar trade or sugar business from the first. I take it there have been certain regulations and rules, etc., that have been adopted.

Mr. HOOVER. Oh, yes.

The CHAIRMAN. And you will produce those for us?

Mr. HOOVER. Certainly.

The CHAIRMAN. Did I understand you to say yesterday that in fixing prices there had been no account taken of the profits the wholesaler was to charge?

Mr. HOOVER. Oh, no; you must have misunderstood.

The CHAIRMAN. What is the fact about that?

Mr. HOOVER. The wholesalers are under regulation.

The CHAIRMAN. They are; and what profit are they to be allowed on handling sugar?

Mr. HOOVER. The regulation or rule reads somewhat to this effect—I can not quote it in legal terms—that they shall deal in all of their commodities at cost plus a reasonable profit, and that profit, in turn, by instruction, is to be interpreted as a prewar normal profit for that time, place, and business. In other words, the whole object of the regulation was to restore prewar conditions, as far as we could.

The CHAIRMAN. But did you fix an upset sum for any of them?

Mr. HOOVER. There was a great deal of discussion on the question as to whether we should fix an upset sum, but if I might explain to you one of the little difficulties of that trade, my understanding is, and I think it is pretty clear, that the wholesale trade had always handled sugar at less than cost; and if we were to fix a differential, we might have been fixing a differential higher than prewar conditions. Therefore we concluded that we would better restore prewar conditions than to fix a differential.

The CHAIRMAN. Do I understand you to say that the wholesale dealers had been handling sugar at less than cost before the war—that it had been the custom?

Mr. HOOVER. The average cost of doing a wholesale business is somewhere about 10 per cent, and their average profit that they expect to make is somewhere about 2½ or 3, so we will say 12½ per cent.

The CHAIRMAN. On sugar?

Mr. HOOVER. On all commodities; and they had been handling sugar on a differential of from 25 to 75 cents a hundred in the various localities.

The CHAIRMAN. Thus actually losing money?

Mr. HOOVER. Well, at least they used it as a leader in their business.

The CHAIRMAN. When you made the regulation for them it was that they should take their prewar profits and not go beyond that in the prices they were to charge for sugar?

Mr. HOOVER. That was our idea—to restore prewar conditions in the handling of sugar.

The CHAIRMAN. The prewar condition was no profit. It was to be handled at a loss. So that we get to this—that after the sugar left the refinery and before it reached the retailer it was to be handled, during that period of the transaction, at less than the cost of handling it ?

Mr. HOOVER. Well, it was to be handled on the prewar basis. I assume that the wholesale grocer knows his business, and that he had an advantage out of selling sugar at less than the average manipulation of his business.

The CHAIRMAN. But that condition as it existed before, of handling it for less than cost, was still to obtain?

Mr. HOOVER. So far as we were able to keep it going.

The CHAIRMAN. Yes. Now, how far did you go to enforce that? I mean now by that only this, to make my question plain. You sent out some circulars or instructions or regulations to the effect just indicated?

Mr. HOOVER. At one time, and I might say that one or two of our State food administrators have had the wholesalers together in their

localities, and have agreed with them on a differential on a prewar basis for sugar. We have not done anything of the kind universally. We have left it up to the local men, if they could get a local agreement, that they could do so.

The CHAIRMAN. We have now disposed of the refiner and the wholesaler. Did you make any effort to do anything to get the sugar from the wholesaler through the retailer to the people without any extortion being practiced?

Mr. HOOVER. Yes. We have no powers of regulation of the retail trade unless the particular house happens to be doing more than $100,000 worth of business a year, and the consequence is that our license control extends only to—I can not be sure of the figure—I think 1,500 retailers out of some 350,000, so that the others are not under a definite control. But there is a provision in the food bill, section 4, I think, against extortionate or undue prices. There is no penalty attached to that section of the bill. The penalty was apparently deleted. If there had been a penalty, I think we could have controlled the retailer; but as it stands, all that we could do was to say that an extortionate price was a violation of clause 4 and a violation of the law, and that for violators we would instruct wholesalers not to deal with them.

The CHAIRMAN. And the wholesaler, being under a license, and hence subject to your regulation, would naturally obey your request?

Mr. HOOVER. I think so.

The CHAIRMAN. So that it amounts to this, that you had the retailer in this sort of a situation: If he charged more than you thought ought to be charged, you could cut off his sugar supply altogether?

Mr. HOOVER. Theoretically, but practically it is a very difficult thing to manage 350,000 retailers and several thousand wholesalers. But at least it is a point for public opinion to concentrate itself.

The CHAIRMAN. As a matter of fact, it has been employed by you as a very considerable force, has it not?

Mr. HOOVER. I hope so. We have tried our best to keep the price of sugar down to the consumer.

The CHAIRMAN. I am only trying to get you to say whether it had been successful or unsuccessful, because, if unsuccessful, we ought to know where the difficulty is.

Mr. HOOVER. Yes.

The CHAIRMAN. And if successful, of course, we do not need to go any further.

Senator LODGE. In that connection, Mr. Chairman, may I ask a question if it will not interrupt?

The CHAIRMAN. Certainly.

Senator LODGE. Mr. Hoover have you any knowledge as to the price at which the export sugar that we sent out was retailed in France or Italy or England?

Mr. HOOVER. I have not the data here, but I can get it for you.

Senator LODGE. Roughly speaking, how did it compare with our price?

Mr. HOOVER. The English price on sugar for some time now has been 5 pence a pound. That would be 10 cents, and our price, after allowing the retailer his usual profit, should be in the eastern territory something like 9½ cents and in the central territory 8½ cents.

Senator LODGE. If anything, ours is a little lower than the price abroad?

Mr. HOOVER. Yes. The problem of the retailer has been this, that we have appealed to his patriotism not to practice extortion, and we have had a very great response. We have also tried to illuminate the public on the fact that this price gave a fair profit, and they should not pay more, and if they were called upon to pay more they should complain to us, and those complaints have been taken up by our local representatives with the retailer, and in ninety-nine out of a hundred cases he has rectified his conduct. And, generally speaking, I think the public is getting its sugar at the right price. There have been some instances of flagrant violation.

The CHAIRMAN. Just on this question of the power than can be employed in line with what we were saying a moment ago, you hold to the view, do you not, that anyone who can control the distribution machinery can control practically the prices?

Mr. HOOVER. I think you can stabilize prices. I would not want to say you can absolutely, but you can stabilize them.

The CHAIRMAN. I say practically?

Mr. HOOVER. Yes.

The CHAIRMAN. And when you say stabilize you mean that you can control within certain limits?

Mr. HOOVER. That is true.

The CHAIRMAN. There is a point, of course, where human resistance might spring up, and this has been a method that you have employed with considerable success in administering your office?

Mr. HOOVER. I think so.

The CHAIRMAN. And it is in that way that you have fixed the price for wheat?

Mr. HOOVER. Yes; the wheat price is founded on a little different economic basis. It is founded on the Government buying of wheat, and having stabilized the price of wheat by virtue of that, then to stabilize the price of flour.

The CHAIRMAN. Is that the only means that you have employed to control the price of wheat? I do not want to go into that field, but I am just asking it in connection with this other proposition. Is that the only means you have employed?

Mr. HOOVER. No. The wheat problem is considerably complicated. We have stopped speculation in wheat, and we have asked the millers of the country not to pay more than the Government price for their purchases, and they have adhered to that pretty well.

The CHAIRMAN. This is what you have done, is it not? You have taken control of the boards of trade?

Mr. HOOVER. We asked them to cease trading in wheat altogether.

The CHAIRMAN. You have appointed a commission to regulate each of the grain exchanges. You have appointed a man at each of the grain exchanges who represents you?

Mr. HOOVER. No.

The CHAIRMAN. Not at any of the grain exchanges?

Mr. HOOVER. Not so far as I know.

The CHAIRMAN. Who is Mr. Piazzec at Kansas City representing?

Mr. HOOVER. He represents the grain corporation there, and has to do with the Government buying and selling.

The CHAIRMAN. Exactly. Has he not issued instructions under your authority to these grain men to the tenor and effect that they can buy wheat only at certain given prices?

Mr. HOOVER. I do not know that he has issued instructions. He has told them all, and we have told the country, by and large, that we wanted the trading to go on at Government prices.

The CHAIRMAN. Exactly, and you have successfully carried that out.

Mr. HOOVER. We have, by virtue of the voluntary response of the country.

The CHAIRMAN. Let us see. Where did the farmer have a place to sell his wheat? Where was the farmer's market? I do not want to go into this at any length, but it bears on this other question. The farmer had two places to sell, had he not, one to the grain dealer and the other to the miller?

Mr. HOOVER. Yes.

The CHAIRMAN. And you have instructed the grain dealers that they must pay just certain prices. That is right?

Mr. HOOVER. Yes.

The CHAIRMAN. And you have instructed the millers that they must pay certain prices?

Mr. HOOVER. We asked them to; yes.

The CHAIRMAN. And you have instructed the millers that if they did not do it that something will happen to them?

Mr. HOOVER. No. We asked the millers to enter a voluntary contract with us that they would not.

The CHAIRMAN. Have they done that?

Mr. HOOVER. They have.

The CHAIRMAN. So that now you have taken away from the farmer his market for his wheat, except that he may sell it to grain dealers who will give but one price, and to millers who will give but one price. That is right, is it not?

Mr. HOOVER. We have stablized the price in the country.

The CHAIRMAN. You know, do you not, that Congress never gave you any such authority. You can not put your finger on a line of legislation giving you that authority, can you?

Mr. HOOVER. I consider that the whole sense of the food bill——

The CHAIRMAN. Can you call my attention to a clause authorizing you to do that?

Mr. HOOVER. The food bill provides for the purchase of wheat by the Government.

The CHAIRMAN. That is a different thing. That purchase of wheat by the Government is what you told us was going to be your means of stablizing, and you would go into the market and you would buy wheat, and then you will be prepared to sell wheat. Do you now tell this committee that that is the same thing as saying to the grain dealers of the country, "If you pay more than a certain amount, you will be disciplined," and saying to the only other market, the miller, "You come in and make a solemn contract by which you agree to pay only such prices as have been specified by me." Do you say that those two things are the same thing?

Mr. HOOVER. We originally called a commission together—the President called a commission together in which the farmer had a majority, and determined what was a fair price.

The CHAIRMAN. For what?

Mr. HOOVER. To determine a fair price at which wheat should be bought and stabilized for the country.

The CHAIRMAN. I am not asking what the President did. I am asking about this bill, and I want to ask you if, when this bill was before Congress and when you were advocating its passage, you did not repeatedly tell the Congress of the United States that there was no price-fixing in the bill? I mean by that, did you not tell the committees of Congress that?

Mr. HOOVER. I do not recollect whether I did or not.

The CHAIRMAN. See if I can call your attention——

Mr. HOOVER. Wait one moment: I agree that I probably did, and there was no price-fixing in the bill.

The CHAIRMAN. And yet you have employed the language of this bill, which you solemnly assured Congress did not authorize price-fixing, so as to fix the price on every bushel of wheat raised in the United States, have you not?

Mr. HOOVER. We have, and it has been——

The CHAIRMAN. Is not that a direct and an absolute usurpation of authority?

Mr. HOOVER. It has been done——

The CHAIRMAN. Is it not an abuse of power that would be a criminal act under the laws of our States if it was done at normal times—for any man to employ a legitimate power for the purpose of coercing and compelling a citizen to do something that does not come within that power?

Mr. HOOVER. It has been done with the full approval of the President of the United States.

The CHAIRMAN. Of course, the President's coat tails are broad and his shoulders are mighty, and his position in the world is unchallenged by anyone, but I insist that I am examining you, not with reference to what the President has done, but with reference to the authority in this law which you told us, which you admitted, did not contain price-fixing power—authority under which you have presumed to fix the price for the wheat of the country.

Mr. HOOVER. Now, may I make my statement?

The CHAIRMAN. Certainly.

Mr. HOOVER. In the first instance, I take it that a country at war wishes to get results. It wishes to protect its producer and protect its consumer.

The CHAIRMAN. Who is to judge of that, you or the Congress that makes the law?

Mr. HOOVER. The Congress that made the law introduced this clause into the law, in the first section of the act, which reads in this way—

> * * * hereafter in this act called necessaries; to prevent, locally or generally, scarcity, monopolization, hoarding, injurious speculation, manipulations, and private controls, affecting such supplies, distribution, and movement, and to establish and maintain governmental control of such necessaries during the war.

The CHAIRMAN. Yes.

Mr. HOOVER. I have interpreted that——

The CHAIRMAN. That is the preamble. The powers follow. A preamble, as you know, means absolutely nothing in itself. It is

not an enacting clause; it is a declaration that does not constitute any part of the act. The substantive part of the act follows the preamble. Do you pretend to say to us that there is contained in the substantive part of this act any authority on your part to fix the price of wheat?

Mr. HOOVER. I pretend to say, or I do say, that, taking the act altogether in all of its phases, its objects have been carried out in the arrangement of the wheat control in this country.

The CHAIRMAN. You pretend to say there is price fixing in the act, do you—the right to fix prices?

Mr. HOOVER. In the sense it has been fixed in the case of wheat.

The CHAIRMAN. I do not care about senses. I am just talking about whether it is done. I want to call your attention to the fact—to ask you—if you did not appear before the Committee on Agriculture of the Senate on the 19th day of June, 1917, and there present and read a statement which you had carefully written up in advance?

Mr. HOOVER. I presented a statement.

The CHAIRMAN. It was a written statement?

Mr. HOOVER. Yes.

The CHAIRMAN. I will ask you if you were not then discussing the food-control bill, called there for the purpose of discussing it with the Committee on Agriculture?

Mr. HOOVER. Surely.

The CHAIRMAN. And I will ask you if you did not make this statement:

* * * from the number of current illusions about the legislation proposed. First is the illusion in some quarters that the bill is directed against the producer.

Then follows your comment on that, and I shall read it:

It would not be necessary to traverse this statement to anyone that had read the bill. It especially excepts the producer from every one of its provisions, with the exception of one section, and that is the provision for a guaranty, and this section is designed to entirely benefit and secure the producer.

That was the wheat guaranty of $2, was it not?

Mr. HOOVER. Yes.

The CHAIRMAN. And the producer in that case was the farmer, was he not?

Mr. HOOVER. Yes.

The CHAIRMAN. And you stated to the Agricultural Committee there at that time that it was an illusion to assume that the bill was directed against the producer, and that the producer was expressly excepted from its terms, and now you say that you have fixed the price on the wheat of all the wheat producers of the United States.

Mr. HOOVER. We have stabilized the price.

The CHAIRMAN. Yes; stabilized it; and that is to say that by stabilization you mean fixation, is it not?

Mr. HOOVER. He can in his local markets obtain more or less.

The CHAIRMAN. Oh, more in his local market. Mr. Hoover, you are too smart a man, and as weak as I am, I hope you will not pay me the poor compliment of saying that you could for a moment convince me or any one that the local market that is left to the farmer leaves him a price that amounts to anything after you have taken away the great markets for his wheat—that is to say, the market of

the grain merchant, the market of the board of trade, and the market of the miller.

Mr. HOOVER. I do not wish to quibble with the position. I agree with you; the price of wheat has been stabilized. There is practically a limit to what the farmer can get for his wheat.

The CHAIRMAN. Practically a limit, and for all intents and purposes has he not fixed an absolute price on the wheat in the United States?

Mr. HOOVER. Practically so. Now, may I finish?

The CHAIRMAN. Certainly.

Mr. HOOVER. I do not think it is fair to enter upon the wheat question unless you are going to enter into all of its complexities. There are a thousand angles to it, that could not be entered on unless we take a week upon it, and I would like to make this additional statement, that the farmer generally was agreed as to his price. He accepted the price as a fair price in his own protection, and he gained out of that price a matter of about 45 cents or 55 cents a bushel more than he had ever realized for his wheat before, and by stabilization of the price the consumer of this country is getting his flour for $3 a barrel less than he was getting it for when we entered upon that arrangement.

The CHAIRMAN. We might enter upon that. Do you mean to tell us now that by this fixation of price you raised the price to the farmer above what he was getting before you fixed the price?

Mr. HOOVER. We raised the price above what he really got for his previous harvest by the figure I have given.

The CHAIRMAN. For his previous harvest, yes; and let us carry that on. You say that you reduced the price of flour $3 below the previous year's flour. Do you say that?

Mr. HOOVER. Three dollars below the price existing when we entered upon that stabilization.

The CHAIRMAN. Ah, exactly. When you come to say that you reduced the price of flour, you take the highest price that flour had reached as your basis; but when you say you advanced the price of wheat to the farmer, you do not take the highest price of wheat, but you take his average for the year?

Mr. HOOVER. No, sir——

The CHAIRMAN. Now, as a matter of fairness and in order to state this question fairly, would not this be the right position to take: If you are going to take the average price of wheat for the year, then ought you not to take the average price of flour for the year? Now, that is fair, is it not?

Mr. HOOVER. That is fair; and I do not——

The CHAIRMAN. Wheat reached a very high point for a short time and flour reached a very high point for that short time; but, as a matter of act, the price that was fixed for flour is above the average price of flour for the preceding year, is it not? I am not saying it is not necessary, but I am just trying to fix the fact.

Mr. HOOVER. I do not think it is above the average price for the previous year.

The CHAIRMAN. How much is it now?

Mr. HOOVER. I have the figures in my mind as to the average price of the previous year.

The CHAIRMAN. I have not the exact figures, but I have them very largely in mind; the prices as they run from month to month; and I think if you will think for a moment you will recall that wheat last year sold very cheaply for a number of months and flour sold very cheaply during those same months; and then wheat took a sudden boom in the market, and flour followed; but, as a matter of fact, the price of wheat is higher on the average now than it was last year, although it is very much lower than the high point, and the price of flour is very much higher than last year, although it is lower than the high point.

Mr. HOOVER. No.

The CHAIRMAN. Is not that the way that figures out?

Mr. HOOVER. No, sir; that is not correct.

The CHAIRMAN. What is the matter? It is a matter of mathematics.

Mr. HOOVER. It is a matter of actual figures. The price of wheat is very much higher than the farmer realized the year before, and the price of flour is but very little higher.

The CHAIRMAN. What is flour to-day?

Mr. HOOVER. Flour at the mill door is averaging to-day about $10.

The CHAIRMAN. Now, the mill door is not the test. What is the wholesale price of flour to-day?

Mr. HOOVER. The wholesale price of flour, depending on locality, is somewhere from $10.50 to $11.10. It depends on the quality.

The CHAIRMAN. Is it not a fact that last year flour sold around $10 for a number of months?

Mr. HOOVER. No; I do not think it was as low as that on the average.

The CHAIRMAN. Of course, it is utterly useless for you and I to argue about it, because the figures are available to everybody. Now, I want to go to the next statement you made to this committee in connecion with the one I just read, and I will read that again:

From a number of current illusions about the legislation proposed, the first is the illusion in some quarters that the bill is directed against the producer. It would not be necessary to traverse this statement to anyone that had read the bill. It especially excepts the producer from every one of its provisions with the exception of one section, and that is the provision for a guaranty; and this section is designed to entirely benefit and secure the producer. The savings of the American consumer ought not and should not be made by a sacrifice on the part of the producer. They should be made by the exclusion of speculative profits from the handling of our foodstuffs.

Now I come to the next proposition:

The second illusion is that there is price fixing by this bill. There is no provision for price fixing, and no such thing can be carried out under the bill.

You said that, did you not?

Mr. HOOVER. Yes.

The CHAIRMAN. And you have carried it out, have you not?

Mr. HOOVER. I have not.

The CHAIRMAN. You have just told us how you have, have you not?

Mr. HOOVER. We have endeavored to stabilize prices, and this statement promised we would do so.

The CHAIRMAN. Do not let us quibble about terms. You say you have stabilized prices. What do you mean by that—stabilizing prices?

Mr. HOOVER. To maintain a reasonable level of prices.

The CHAIRMAN. When you maintain a level of prices you fix the price, do you not?

Mr. HOOVER. Well, you can use the terms as you like.

The CHAIRMAN. What is the use of our haggling about it?

Mr. HOOVER. You can use them as you like.

The CHAIRMAN. Yes.

Mr. HOOVER. May I call your attention to one more provision in the bill, Senator?

The CHAIRMAN. Certainly.

Mr. HOOVER. After reciting the object of the bill, to include Government control of such necessaries during the war and such arrangements as may be necessary for the exercise of such Government control, it goes further and says:

SEC. 2. That in carrying out the purposes of this act the President is authorized to enter into any voluntary arrangements or agreements, to create and use any agency or agencies, to accept the services of any persons without compensation, to cooperate with any agency or person, to utilize any department or agency of the Government, and to coordinate their activities so as to avoid any preventable loss or duplication of effort or funds.

Now, if the preamble in that bill stands for anything, the object of the next section of the bill is to carry out the purposes stated in the first paragraph.

The CHAIRMAN. Then, you say there is price fixing in the bill, do you? Why did you not tell us that when you were over telling the committee of Congress there was no price fixing? Why did you not call attention to that and say, "The language is broad enough so that we can fix prices and we are going to fix prices"?

Mr. HOOVER. I do not agree that we have fixed prices. You have not read the whole of my statement. That is a matter of discussion between us as to terms.

The CHAIRMAN. Hardly. It is hardly a matter of discussion.

What examination did you cause to be made to ascertain the profits of the beet-sugar factories? Did you make any extended examination of that or cause any to be made?

Mr. HOOVER. We took the figures from the Federal Trade Commission. They had made an exhaustive examination of pre-war costs, and then we followed up from those figures for various localities the additional costs and came to a fairly comprehensive view of the situation, in one direction.

The CHAIRMAN. Did the Federal Trade Commission report that any of these beet-sugar refiners' costs were so great that they probably were unable to make money? I do not mean as a conclusion, but did they report facts of that character?

Mr. HOOVER. They reported the facts of the costs in various localities on the pre-war basis, and then we followed up with the additional factors which originated during the war.

The CHAIRMAN. I do not understand what you mean by originating during the war?

Mr. HOOVER. The Federal Trade Commission's study was a prewar study, of course; and then we had to add the necessaray additions to costs.

The CHAIRMAN. Yes.

Mr. HOOVER. And we came to a fairly comprehensive idea of what the profits were—or what their costs were, at least.

The CHAIRMAN. Did you regard it as a possible thing to maintain a different level of prices for beet sugar and cane sugar in this country, except with a small differential that is said to always exist of 25 cents a hundred pounds?

Mr. HOOVER. Not permanently. Our view was that we could maintain the beet price west of the Alleghenies until the cane price fell for the new crop by distributing the beet sugar west of the Alleghenies solely, and we had hoped to supply the country east of the Alleghenies from Louisiana. Later that broke down, and we had to bring beet sugar into the eastern territory.

The CHAIRMAN. But you did start out with the intention of maintaining different prices for beet sugar and cane sugar, did you not?

Mr. HOOVER. We did, until such time as the new cane came in from Louisiana.

The CHAIRMAN. And the beet came in first; and when did the beet sugar begin to come in?

Mr. HOOVER. Some time about the 1st of November.

The CHAIRMAN. Earlier than that, was it not?

Mr. HOOVER. There was some manufactured in October.

The CHAIRMAN. And you expected to have that crop sold west of the Allegheny Mountains?

Mr. HOOVER. We hoped to see it sell there.

The CHAIRMAN. And you hoped to sell it at a different price from what the cane sugar would bring east of the Allegheny Mountains!

Mr. HOOVER. Yes.

The CHAIRMAN. So that you did not make any effort, under those circumstances, to have it shipped east of the Allegheny Mountains!

Mr. HOOVER. We did immediately we found that the Louisiana sugar would not supply that market.

The CHAIRMAN. Exactly; when you found it out. But I mean as originally proposed?

Mr. HOOVER. No; we felt we could supply that market the other way.

The CHAIRMAN. How long was it you maintained that original conclusion or intention of having the beet sugar sold west of the Allegheny Mountains at a different price than the cane sugar was to command east of the Alleghenies?

Mr. HOOVER. Up to the time when we saw the Louisiana sugar was not going to come up fast enough to supply it.

The CHAIRMAN. When did you learn that?

Mr. HOOVER. I do not know the date.

The CHAIRMAN. Approximately?

Mr. HOOVER. Some time in November, I think it was.

The CHAIRMAN. During all that period, then—how late in November?

Mr. HOOVER. I do not recollect. I will have to look it up.

The CHAIRMAN. Are there any of your associates here—or assistants, I should say—who could tell you?

(Mr. Rolph here spoke to the witness.)

Mr. HOOVER. It was about the middle of November we found that the Louisiana supplies would be insufficient to maintain the ratio in the northeastern States.

The CHAIRMAN. What was it you discovered about the Louisiana supplies about the middle of November?

Mr. HOOVER. They had entered into a contract with the American Sugar Refining Co. that they would ship, or, at least, the anticipation was that they would ship, 50,000 tons into the northeastern territory, and that out of a total of 100,000 tons, and as I understand the American only received a total of 29,000 tons, so that it considerably undermined that situation.

The CHAIRMAN. And the contract for the Louisiana sugars was made about when?

Mr. HOOVER. About the 1st of October.

The CHAIRMAN. The 1st of October?

Mr. HOOVER. Was it October or November? About the end of October, I am told.

The CHAIRMAN. The end of October. But from the month of August, when the California cane sugars began to come in, on through September and October and up to about the 15th of November, the policy of the Food Administration was to sell the beet sugars west of the Alleghenies and at a somewhat different price than the cane sugars would be bringing east of the Allegheny Mountains?

Mr. HOOVER. That was our hope, that we could maintain that.

The CHAIRMAN. So that, of course, you did not, during all that period, endeavor to secure cars or anything of that sort to bring the beet sugar east of the Alleghenies, because you wanted to keep it on the other side of the Alleghenies?

Mr. HOOVER. I do not know precisely when we awakened to the conditions in the northeastern territory; but as soon as we awoke to the deficiencies of the situation.

The CHAIRMAN. Yes; I understand that; but I have understood you to say now, very emphatically and a number of times, that you did not discover that there was going to be a shortage in Louisiana sugar until about the 15th of November?

Mr. HOOVER. Somewhere about that.

The CHAIRMAN. You had relied on the Louisiana sugar to come in and fill the eastern market; that your policy had been pursued prior to the 15th day of November to not have any of the beet sugar sent east of the Allegheny Mountains, but to sell it west of the Allegheny Mountains at a different price than would be paid for the cane sugars that were to come east of the mountains. Now, that being the case, it certainly follows, does it not, Mr. Hoover, that when you were trying to keep this beet sugar west of the Allegheny Mountains you were not arranging for cars to haul it east of the Allegheny Mountains?

Mr. HOOVER. No; I do not assume that any one would be.

The CHAIRMAN. Why, of course not. Now, if you did not arrange for any cars to haul it east of the Allegheny Mountains, you did not arrange for any boats to haul it around to the east of the mountains, either?

Mr. HOOVER. Well, you could not have got boats for that.

The CHAIRMAN. I am just asking whether you did arrange for them?

Mr. HOOVER. You could not get them.

The CHAIRMAN. I did not ask you that. You did not try to do it?

Mr. HOOVER. Well——

The CHAIRMAN. Can you not say "Yes" or "No," whether you tried to get boats to haul that beet sugar from the West around east

of the Allegheny Mountains? Did you, or did you not try to do it, Mr. Hoover?

Mr. HOOVER. We had not the boats.

The CHAIRMAN. I am not talking about the boats now.

Mr. HOOVER. Wait a minute; you must allow one to make a complete answer.

The CHAIRMAN. Yes; but I want a response to my question.

Mr. HOOVER. We did endeavor repeatedly to get Hawaiian sugars which were already on the Pacific coast, or alternately in Hawaii, around to the Atlantic, but there were no boats.

The CHAIRMAN. When did you try to do that?

Mr. HOOVER. I do not remember when the negotiations began.

The CHAIRMAN. Did they begin before the 15th of November?

Mr. HOOVER. Yes. We tried long before that.

The CHAIRMAN. Or October?

Mr. HOOVER. I do not remember the dates, but we have been trying to get boats to get that sugar around for a long time.

The CHAIRMAN. Why did you want to bring those Hawaiian sugars clear around this country, clear around to the eastern side of the country, when you did not want the beet sugars to come over to the eastern side of the country?

Mr. HOOVER. If the Hawaiian sugars could be transported by sea, the beet sugar have got to come by rail, and with the congestion that they had here, we have done our best to help the whole situation. The beet sugar must be loaded by rail in any event and taken to a port.

Th CHAIRMAN. Was there not a greater dearth, right at that time, of bottoms on the ocean than there was of cars on land?

Mr. HOOVER. I could not say that.

The CHAIRMAN. Has not that been true?

Mr. HOOVER. No, sir.

The CHAIRMAN. Has it not been true that for more than a year the world has known that the great problem was to get released as many bottoms as possible?

Mr. HOOVER. Well, Senator, there are some boats and some cars. If you can tell me which is the most difficult to get, I will be glad to know.

The CHAIRMAN. You have given your reason, and you gave as your reason for preferring shipment by boat rather than in cars that you thought it would produce relief?

Mr. HOOVER. Yes.

The CHAIRMAN. And when I ask you if the boats were not more essential than the cars, you say there are some cars and some boats. That is the answer. I want to know what motive or what reason there was for a desire to move Hawaiian sugars around east of the Allegheny Mountains, clear from the Pacific coast around, and at the same time a policy be maintained of not hauling any of the beet sugars east of the Allegheny Mountains?

Mr. HOOVER. I can not admit your premise. In the first instance, the reason for bringing sugar around to the east was that the shortage there was made acute. That is the prime reason for all movement. The second reason is that 100 beet-sugar cars were started from the West on the 15th of November, and did not reach the northeastern territory until the middle of December.

The CHAIRMAN. Well——

Mr. HOOVER. Now, wait a minute.

The CHAIRMAN. I am not asking about the 15th of November. You say that on the 15th of November you tried to move this sugar. I am talking about the time prior to the 15th of November when you had ruled that you would not allow any beet sugars to come east of the mountains, and yet at that same period you were trying to get Hawaiian sugars clear from the California coast around to the East, with all the shortage of boats that existed. Why was it that you wanted the Hawaiian cane sugars in the East, but you did not want the beet sugars in the East?

Mr. HOOVER. We did want them in the East, but we wanted them in the areas of the greatest scarcity at all times.

The CHAIRMAN. You just said that you did not want them there at all. You tried to keep them west of the mountains until the 15th day of November.

Mr. HOOVER. So long as we had any hope of relief or any remedy.

The CHAIRMAN. I am talking about that period of hope and buoyancy and expectancy and everything else you want to put into it, prior to the 15th day of November, when you were trying to keep an embargo on beet sugar reaching east of the Allegheny Mountains, and at the same time saying you were trying to get boats to haul Hawaiian sugar from California—Hawaiian can sugars from California—around. Now, why was that?

Mr. HOOVER. Well, I confess I do not understand that question.

The CHAIRMAN. Very well; I have tried to make it quite plain.

You knew, did you not, that there was a large amount of beet sugar right up in the State of Michigan that was there before the 15th day of November and after the 15th day of November?

Mr. HOOVER. Bear in mind, Senator, that there had been a scarcity of sugar west of the Alleghenies as well as in the other quarters of the country, and cars were all being used to supply the deficiency from the beet-sugar factories as well.

The CHAIRMAN. If there was a scarcity of sugar west of the Allegheny Mountains, why were you trying to get boats to transport sugars east of the Allegheny mountains?

Mr. HOOVER. Because the accessible points of the country are from the beet areas.

The CHAIRMAN. The beet areas were in California, and the Hawaiian factory was in California. The same roads run to the California beet district that run to the factory, and the same roads run to the factory that run to the beet district.

Mr. HOOVER. Bear in mind that the job of haulage from the Pacific coast is an immensely larger job than that of the haulage from Michigan and Wisconsin.

The CHAIRMAN. Then, why could you not have filled up the country west from there and let some of the sugar from the Middle West flow from over into the East?

Mr. HOOVER. Of course, we could not get cars.

The CHAIRMAN. Of course, you could not get cars if you did not start trying to get them until the 15th of November when the trouble was on.

Now, you did want to maintain a difference in price, you say, between cane sugar east of the Allegheny Mountains and beet sugar west. Why did you want to maintain a different price?

Mr. HOOVER. Would you want the consumer of the interior of the country to pay more just simply to level it up with the Atlantic seaboard price?

The CHAIRMAN. Why, you have said that you wanted to maintain a different price.

Mr. HOOVER. Why, certainly.

The CHAIRMAN. Between beet sugar west of the Allegheny Mountains and cane sugar east of the Allegheny Mountains. Did you want the people east of the Allegheny Mountains to pay more for their sugar than the people west simply because they lived in that section of the country?

Mr. HOOVER. No; the question of the price of sugar on the Atlantic seaboard was a problem of the Cuban sugar at the price at which it had been bought. The question in the interior of the country was to get it to the consumer for the least possible that they could get the beet factories to sell it for.

The CHAIRMAN. Why were not the people of New England entitled to have their sugar on as favorable terms as the people just west of the Allegheny Mountains?

Mr. HOOVER. For the simple reason——

The CHAIRMAN. Now, why not?

Mr. HOOVER. If you will allow me, I will tell you. For the simple reason that the Cuban sugar had been bought at a higher level and was in possession of the refiners and others at a higher level. The whole of the sugar stocks had been accumulated at a higher level. We had no right to impose a loss on the total sugar industry just to level it down with beets. Furthermore, in order to give the Louisiana purchaser as good a position as could be gotten, we gave him the seaboard price that was necessary in order to protect his production.

The CHAIRMAN. Well, now, let us get back. How much Cuban sugar had these refiners loaded themselves up with at this high price? How much did they have on hand?

Mr. HOOVER. It is difficult to say, Senator. The total stocks of sugar in the hands of the country before the beet sugar came in, which were established on the Cuban basis, taking all of the stocks in the hands of the refiner, the wholesaler, and the retailer, are estimated at somewhere about 650,000 tons.

The CHAIRMAN. Six hundred and fifty thousand tons that was held by the refiners, did you mean?

Mr. HOOVER. Oh, no; it was held by the whole reticulation system of the country.

The CHAIRMAN. Now, let us see. These refiners had acquired these sugars when?

Mr. HOOVER. They had acquired them during the year. The refiners' stocks were comparatively low, and the wholesalers' stocks.

The CHAIRMAN. All right. The refiners had gone into the open market and had bought sugars some of which they had on hand. That is correct?

Mr. HOOVER. Yes.

The CHAIRMAN. The wholesalers in turn had gone into the open market and bought from the refiners sugars some of which they had on hand?

Mr. HOOVER. Yes.

The CHAIRMAN. That constituted the stocks of sugar that these gentlemen all together had bought and which constituted about 650,000 tons of sugar?

Mr. HOOVER. For the whole country; yes.

The CHAIRMAN. Yes. Now, what proportion of that was in the hands of the refiners?

Mr. HOOVER. I can not tell you at the moment. I can find out for you.

The CHAIRMAN. Could you approximate it at the moment?

Mr. HOOVER. No; I could not.

The CHAIRMAN. Could you get it from Mr. Rolph, who sits back of you?

Mr. HOOVER. No; the data does not come from Mr. Rolph. It comes from the Department of Agriculture.

The CHAIRMAN. Now, because there were some sugar refiners and because there were some wholesalers who had gone into the open market and bought sugar at high prices you proposed to deny all the people east of the Allegheny Mountains the benefit of cheaper sugar that might be produced in the beet-growing district, and hence you sought to create an embargo against that sugar coming to the East, and you wanted to maintain a difference in price for the benefit of these people who had gone into the open market and bought sugar at a higher price?

Mr. HOOVER. That is a statement, but it is not correct.

The CHAIRMAN. Is not that absolutely what you have sworn to?

Mr. HOOVER. No, sir. You do not add the whole situation.

The CHAIRMAN. You may just add anything to my statement that is in addition to it.

Mr. HOOVER. There were certain Cuban sugars still being bought at 6.90 and being brought into the market, and there was Louisiana sugar coming into the market at this price.

The CHAIRMAN. Ah, yes; and you have already testified that that Cuban sugar, which was being bought at 6.90, was an inconsequential amount—so inconsequential that the stopping of Mr. Spreckels and others from buying it did not have any real effect upon the sugar situation.

Mr. HOOVER. About 50,000 tons.

The CHAIRMAN. Then are we to understand that you imposed this tax by way of high prices for sugar upon all the people east of the Allegheny Mountains because there was 50,000 tons of sugar left in Cuba that you wanted to maintain the price on?

Mr. HOOVER. Add to that the 200,000 tons of Louisiana and the stocks, and add this, Senator: Can you conceive any right and justice in our imposing upon a whole trade the sale of its goods at a loss?

The CHAIRMAN. I am not going to stop to argue that.

Mr. HOOVER. No; I do not think you will.

The CHAIRMAN. You want to add the 200,000 tons of Louisiana sugar. That is the 200,000 tons of sugar that Mr. Babst contracted for, is it not?

Mr. HOOVER. No; Mr. Babst contracted for 100,000 tons, and the other sugars have come up the Atlantic seaboard and been sold at that price.

The CHAIRMAN. Mr. Babst contracted for 100,000 tons, and got an option for the rest of that sugar, did he not?

Mr. HOOVER. No; he did not.

The CHAIRMAN. Very well. We will not dispute about the terms of it. That is the 200,000 tons of Louisiana sugar—to state it in your language, then—which Mr. Babst had contracted for?

Mr. HOOVER. No; he did not contract for it. The 200,000 tons is the production of Louisiana.

The CHAIRMAN. Let me state it again. I had not finished.

Mr. HOOVER. More than that, in fact.

The CHAIRMAN. Louisiana produces about 225,000 tons?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. Mr. Babst got a contract for 100,000 tons?

Mr. HOOVER. Yes.

The CHAIRMAN. And that is the sugar, now, the price of which you wanted to maintain by shutting off the beet sugar and keeping it from coming east of the Allegheny Mountains?

Mr. HOOVER. We wanted to maintain, amongst other things, a righteous price, a proper price for the Louisiana producer.

The CHAIRMAN. Of course you may say "righteous price" and "proper price," but the Louisiana producer sold his sugar to Mr. Babst, did he not—contracted it?

Mr. HOOVER. He sold actually, I believe, 29,000 tons.

The CHAIRMAN. Oh, well, but he contracted——

Mr. HOOVER. May I continue?

The CHAIRMAN. Oh, certainly. I would not interrupt your sentence. Pardon me.

Mr. HOOVER. He contracted a portion of it, and the balance of it has been refined by the planters themselves and sold in that market at that price.

The CHAIRMAN. That is not the point I am driving at. Mr. Babst contracted 100,000 tons?

Mr. HOOVER. And got 29, I believe.

The CHAIRMAN. All right. He expected to get the 100,000 tons, did he not?

Mr. HOOVER. Yes.

The CHAIRMAN. You expected him to get it, did you not?

Mr. HOOVER. We hoped he would get it.

The CHAIRMAN. Yes, sir; and so you maintained a price?

Mr. HOOVER. To the producer. Mr. Babst's profit was fixed.

The CHAIRMAN. Yes. You maintained a price over in the Atlantic seaboard for the benefit of that Louisiana sugar?

Mr. HOOVER. For the Louisiana producer.

The CHAIRMAN. Yes—oh, yes. Now, the Louisiana producer had stipulated a price in his contract with Mr. Babst, had he not?

Mr. HOOVER. He had.

The CHAIRMAN. And if he had delivered that sugar to Mr. Babst, Mr. Babst would have had to pay him that price, would he not?

Mr. HOOVER. I assume he would.

The CHAIRMAN. And then, if the sugar went down on the market east of the Allegheny Mountains Mr. Babst would have had to stand the loss, would he not?

Mr. HOOVER. I assume that he would.

The CHAIRMAN. Why, certainly he would. So that when you shut out the beet sugar from west of the Allegheny Mountains in order to maintain a higher price for cane sugar east of the Allegheny Mountains, and Mr. Babst had a contract for 100,000 tons of that sugar, that arrangement was calculated to get Mr. Babst the full price for his sugar, the full Louisiana price plus his $1.30, was it not?

Mr. HOOVER. Quite so.

The CHAIRMAN. And to guarantee him or put him beyond the possibility of loss?

Mr. HOOVER. And under no other circumstances would Mr. Babst have taken that contract and paid the full amount to the Louisiana producers.

The CHAIRMAN. Oh, well, we will come to that. Now, as a matter of fact, Mr. Babst got a contract with the Louisiana planter which under the circumstances was so disadvantageous to the Louisiana planter that I will not say he was compelled to but he did in fact dispose of the greater part of his crop by direct sales made by himself instead of sending the sugar to Mr. Babst to be refined?

Mr. HOOVER. The difference, Senator, lies in the fact that one case was the sale of raw sugar and the other case the sale of plantation refined.

The CHAIRMAN. Very well; I do not care about the detail of it. You have said that he contracted to give to Mr. Babst 100,000 tons, and that he only gave him 29,000, in round numbers?

Mr. HOOVER. Yes.

The CHAIRMAN. The balance of it he disposed of otherwise, did he not? That is right?

Mr. HOOVER. Mr. Babst? No.

The CHAIRMAN. No; the balance of it the planter disposed of otherwise?

Mr. HOOVER. Surely.

The CHAIRMAN. Yes; and the "otherwise" was that some of his sugars he sold raw, some of his sugars he had refined in what they call plantation refineries, and in that way he got his sugar to the market?

Mr. HOOVER. Yes; he got it to the Atlantic seaboard market.

The CHAIRMAN. He got it to the Atlantic seaboard market, did he not?

Senator VARDAMAN. For my own information, I should like to know how the Louisiana planter was permitted to sell his sugar from the Louisiana factory when Mr. Babst had contracted for that sugar?

Mr. HOOVER. It was no contract; it was simply an acceptance of the Sugar Refining Co. that they would take sugar at that price if offered.

Senator VARDAMAN. Oh, yes. It was no sale?

Mr. HOOVER. It was no sale.

The CHAIRMAN. So that there will be no mistake about it, now, there were men up here that claimed to represent and speak in a general way for the planters to fix a contract for their sugar. It

appears that they did not have full authority to absolutely make the sugar planter down there deliver his sugar; but it was expected at the time, I take it, that the sugar would be delivered, and, indeed, that is what Mr. Hoover said. Now, I want to get at this:

The planter was not satisfied with the price stipulated, and he sold otherwise, and you say that the sugar he sold reached the Atlantic seaboard?

Mr. HOOVER. Surely.

The CHAIRMAN. Do you mean to say that there were not large amounts of that sugar that never reached the Atlantic seaboard at all, but that went up through the interior of this country?

Mr. HOOVER. He would be foolish if he sold his sugar at the beet price through the interior when he could drift up this way and get a larger price.

The CHAIRMAN. I am not asking whether he was foolish or not. I am asking if you can state the fact that the Louisiana planter did not market a large part of his sugar at other points than the Atlantic coast?

Mr. HOOVER. I do not know whether he has marketed it in the beet territory or not. I should not imagine that he has.

The CHAIRMAN. You do not know?

Mr. HOOVER. I do not know. Now, let me add one thing more to this, Senator, to make this clear to your mind:

After we had agreed with the beet-sugar producers as to a maximum that they were going to charge for sugar, we asked the Louisiana producers if they would agree to the same price, so as to make for the Atlantic seaboard at once with the arrival of Louisiana sugars a universal price for the country. The Louisiana people came to me and showed good evidence that they were not able to produce their sugar on that basis and sell it, and it was therefore necessary to devise some method by which they could get their sugar into the market at a little higher rate in order to protect that industry; and that was done.

The CHAIRMAN. Yes. Now then, let me go on.

Mr. HOOVER. So far as the American Sugar Refining Co. was concerned it did not matter one atom to them. They were buying the sugar from the Louisiana producer at a price and charging 1.30 differential for it. It would have suited the American Sugar Refining Co. to have had the price lower or higher. It did not matter to them one atom, and they got no benefit from it. It was solely in protection of the Louisiana producer that that price was made.

The CHAIRMAN. Now let us see if that is correct. You say that Mr. Babst agreed to take all of the Louisiana sugar—that is, 100,000 tons—at a fixed price?

Mr. HOOVER. Yes. (*No, he did not agree to take it all—part of it at, I think, 6.35*).*

The CHAIRMAN. What was that price?

Mr. HOOVER. I think it is 6.35.

The CHAIRMAN. Now, manifestly, if he did not get 6.35 for that sugar up on the Atlantic coast, he would lose money, would he not!

Senator JONES. I think it appears in the record that Mr. Babst never made that offer until the price of the sugar on the Atlantic coast was fixed.

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* Italicized words in parentheses show changes made by Mr. Hoover after the hearing.

The CHAIRMAN. I do not think it is necessary to make that suggestion, with all due respect.

Mr. HOOVER. That is the case. The American Sugar Refining Co. did not come into the operation until the whole matter was settled out, and they were simply in it as a refiner for a toll.

The CHAIRMAN. Exactly—exactly, and yet not exactly. Now, you say that Mr. Babst could not have lost any money if the price of sugar had gone down along the Atlantic coast?

Mr. HOOVER. No; I did not say anything of the kind. I said that if the price to the Louisiana producers had been lower it would have been all the same to Mr. Babst (*for in a famine area he could sell at any price*).*

The CHAIRMAN. Oh. I understood you to say that it would not have made any difference to Mr. Babst if the price of sugar had gone down on the Atlantic coast. I misunderstood you about that?

Mr. HOOVER. You misunderstood me.

The CHAIRMAN. Very well. Mr. Babst did make the contract with the Louisiana sugar dealers at what date?

Mr. HOOVER. I do not recollect what the date of the contract was.

(Mr. McGinnis made a whispered suggestion to the witness.)

Mr. HOOVER. It was October 26.

The CHAIRMAN. October 26. Mr. Babst then made his contract for the Louisiana sugar and agreed to pay a fixed price on October 26?

Mr. HOOVER. Yes. He made a tender for the sugar technically.

The CHAIRMAN. Well, he made a tender which was of such a nature as that if it had been accepted he would have had to take the sugar?

Mr. HOOVER. Yes.

The CHAIRMAN. Yes; so what is the use of this quibbling about things of that kind? That was on October 26. You did up to the 15th of November undertake to maintain the difference in price between beet sugar and cane sugar in the Atlantic States?

Mr. HOOVER. I do not exactly understand (*undertake to maintain if that is*)* what you mean.

The CHAIRMAN. You have stated that up to the 15th day of November you had expected to get your sugar for the Atlantic States from Cuba or from Louisiana.

Mr. HOOVER. Yes.

The CHAIRMAN. And up to that time you tried to maintain the difference in price between beet sugar and cane sugar on the Atlantic seaboard.

Mr. HOOVER. Yes (*to keep prices down*).*

The CHAIRMAN. Now, if Mr. Babst purchased 100,000 tons of cane sugar in Louisiana at a fixed price of 6.35 and the price of refined sugar had gone down in the Atlantic States, would not Mr. Babst have had to stand that loss?

Mr. HOOVER. He surely would have.

The CHAIRMAN. Therefore when you undertook to maintain that difference of price between beet sugar and cane sugar in the Atlantic States it would necessarily inure to the benefit of Mr. Babst, for his contract was already made on the 26th day of October?

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* Italicised words in parentheses show changes made by Mr. Hoover after the hearing.

Mr. HOOVER. I do not think you comprehend the whole situation, Senator.

The CHAIRMAN. Well, perhaps not. I just, some way or other, can not get my mind broad enough to cover all these things and see them all at once; but I am doing the best I can.

Mr. HOOVER. If the Cuban price was not being maintained (*through shortage of sugar*)* in the Atlantic States, Mr. Babst would never have been able to have taken that contract from the Louisiana producer at the price.

The CHAIRMAN. If the Cuban price had gone down, he could not have paid the Louisiana planter as much?

Mr. HOOVER. He would not have undertaken a contract.

The CHAIRMAN. Very well. Now, did you keep up the price of Cuban sugar by your manipulation, or did you bring down the price of Cuban sugar?

Mr. HOOVER. We had brought the price of Cuban sugar down to 6.90 at—I forget the date; I think the 1st of October. (*The shortage kept it up.*)*

The CHAIRMAN. Were you maintaining it, now, at that point?

Mr. HOOVER. Now?

The CHAIRMAN. Were you then maintaining it at that point?

Mr. HOOVER. No; we were not maintaining the price anywhere.

The CHAIRMAN. Was there any danger of its going down?

Mr. HOOVER. I do not know that there was, in the face of a general scarcity.

The CHAIRMAN. Then why did you just interject that in here a minute ago about Cuban sugar, when you now say it has nothing whatever to do with it; that it would not have gone down anyhow?

Mr. HOOVER. I do not quite know what you mean, Senator.

The CHAIRMAN. Well, your previous answer is in the record, and my question is plain enough. Very well. Were you present when the negotiations went on between Mr. Babst and the representatives of the Louisiana planters?

Mr. HOOVER. No; I do not think that any of our people were present. The price question for Louisiana was debated out with the Louisiana people, and they subsequently went and made a contract with Mr. Babst.

The CHAIRMAN. The Louisiana people came here to Washington. and do you say that the question of price was not discussed by you or your representatives with them?

Mr. HOOVER. Mr. Babst came here at their request and made the statement to them that if they could agree with the Food Administration on a fair price he would take a contract.

The CHAIRMAN. Very well. Now, did the Food Administration agree with the Louisiana planters on a fair price?

Mr. HOOVER. We did.

The CHAIRMAN. Was Mr. Babst present at any time during those discussions of price?

Mr. HOOVER. He came in on one occasion, I believe, and made that statement to them, because the Louisiana producer was in this position—that he had to sell his sugar after a price had been made, and he wanted some assurance that he would be able to sell it; and after having given that assurance, Mr. Babst went out.

The CHAIRMAN. Why could he not sell it before a price had been made? What was the reason? Now, there was a reason. What was the reason?

Mr. HOOVER. The whole situation here is broadly this—that we were endeavoring to protect the American consumer and keep the price from going to 15 or 20 cents by getting a voluntary arrangement with the Louisiana producer.

The CHAIRMAN. By getting a voluntary arrangement with the Louisiana producer? Was that the way you were trying to regulate his price?

Mr. HOOVER. Why, surely.

The CHAIRMAN. By getting him to make a voluntary arrangement?

Mr. HOOVER. Why, surely; it was wholly a voluntary arrangement.

The CHAIRMAN. Well, of course. We are going to have that "voluntary" business over again, I guess, after you have said here this morning that you had power to compel, and that you had compelled.

Mr. HOOVER. I did not say that, Senator.

The CHAIRMAN. You did not say that in substance and effect?

Mr. HOOVER. No.

The CHAIRMAN. Very well. We will not discuss it. The record will just have to talk for itself. The Louisiana planters' representatives did come to the city of Washington? We agree on that?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. They did go to the Food Administration?

Mr. HOOVER. They did.

The CHAIRMAN. They did discuss the question of the prices that were to be paid for Louisiana sugar?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. The understanding at that time was that until they agreed upon a price with the Food Administration they could not market their sugars?

Mr. HOOVER. They were marketing their sugars, and we were endeavoring to get them to put a limit on the price that they were going to take from the public.

The CHAIRMAN. Let us see if they were marketing their sugars. You had already gotten together all of the sugar refiners of the United States, had you not?

Mr. HOOVER. Mr. Rolph tells me that they had not started grinding at that moment.

The CHAIRMAN. I thought so, and I thank Mr. Rolph for the correction. They had not started grinding, and hence they had not been boosting any 15-cent sugar or anything of that sort, because they did not have anything to sell. That is the situation?

Mr. HOOVER. Well, they had anticipations.

The CHAIRMAN. Oh, yes; well, let us not get anticipations into this thing now, please, because we all anticipate many things that do not come to pass. They had no regular market for their sugar any more, did they?

Mr. HOOVER. Why, certainly they had a market for their sugar.

The CHAIRMAN. Had you not gotten the sugar refiners into some contract at this time?

Mr. HOOVER. Limiting them to 1.30.

The CHAIRMAN. Limiting them to 1.30?

Mr. HOOVER. For refining toll.

The CHAIRMAN. What was the limitation upon purchasing sugar in Cuba?

Mr. HOOOVER. 6.90.

The CHAIRMAN. And there was a limitation that they could not purchase at all, was there not?

Mr. HOOVER. Well, for a certain period they were allowed to purchase, and then the purchases were taken over by the committee.

The CHAIRMAN. The purchases were taken over at the time we are speaking of, were they not? They had been taken over before that?

Mr. HOOVER. I should think some time in November.

The CHAIRMAN. The right to purchase had been taken away from the refiners prior to the visit of the Louisiana representatives to this town, had it not?

(At this point Mr. McGinnis made a whispered suggestion to the witness.)

Mr. HOOVER (to Mr. McGinnis). I do not understand you.

The CHAIRMAN. I can tell you what he meant. He meant to say that the contract did not cover domestic sugars.

Mr. HOOVER. Yes; well——

The CHAIRMAN. And I was coming to that; but the arrangement had already been made between the sugar refiners at the time the Louisiana planters were here by their representatives that the refiners would not any more purchase sugars outside of the United States?

Mr. HOOVER. Except through the committee. Of course sugar was purchased for all the refiners.

The CHAIRMAN. Except through the international committee?

Mr. HOOVER. Surely.

The CHAIRMAN. That is right. So that the Cuban planter, when he came here to this city or to this country only had one place where he could sell his sugars, and that was the international committee; that was the situation?

Mr. HOOVER. Oh, no, no, no. The international committee had nothing to do with domestic sugars at all.

The CHAIRMAN. I said "the Cuban planter." You did not catch my question. The Cuban dealer coming here would only find one buyer, and that was the international committee?

Mr. HOOVER. Yes.

The CHAIRMAN. That was true, now, at the time I am speaking of. when the Louisiana planters sent their representatives to Washington?

Mr. HOOVER. I do not know the precise date. It may be.

The CHAIRMAN. Well, now, ask your assistant there. That is true. is it not?

(Mr. McGinnis nodded affirmatively.)

The CHAIRMAN. The gentleman I spoke to is Mr. McGinnis, one of the attorneys here representing the Food Administration. The refiners had also agreed that they would not purchase any sugar at any price until the Food Commission had stipulated the price?

Mr. HOOVER. No; they had not.

The CHAIRMAN. Was there not any arrangement of that kind?

Mr. HOOVER. It did not apply to domestic sugar.

The CHAIRMAN. No; but was there not an arrangement at this time that prohibited the refiner from buying the domestic sugars until the food control or the international committee or the American members of it had fixed a price?

Mr. HOOVER. No; it did not apply to domestic sugar. The only restriction on the refiner was that he was to charge 1.30 only for refining.

The CHAIRMAN. Let us see. You had at this time gotten the beet-sugar men in and gotten an agreement out of them, had you not?

Mr. HOOVER. Yes.

The CHAIRMAN. You had taken over the right of the refiners to purchase any sugars outside of the United States?

Mr. HOOVER. Except collectively.

The CHAIRMAN. Except that they purchase them not collectively but through the international committee?

Mr. HOOVER. Yes; whose purchases were on behalf of the refiners.

The CHAIRMAN. That is all right. They were to purchase them and the refiners could only get them through that committee?

Mr. HOOVER. Yes.

The CHAIRMAN. Will you tell us why it was, when you had fixed the price on all sugars, why it was when you had taken possession of the supply, outside of continental United States, there was no regulation or arrangement of any kind made about the Louisiana cane sugars?

Mr. HOOVER. No.

The CHAIRMAN. I am asking you why that was?

Mr. HOOVER. We appealed to the Louisiana producers and asked them if they would accept a price equal to the beet price, and, as I have explained to you, they came here and advocated a higher price, and we had to give them a higher price, I think properly, in order to protect their industry, and in order to do so had to protect them in a special market to sell that sugar; otherwise we would have lifted the beet price.

The CHAIRMAN. As a matter of fact, you did not have the sugar planters here. There were a few men here who came and who undertook to speak for some of them.

Mr. HOOVER. They were the planters' association.

The CHAIRMAN. I want to get at this: Do you want to tell us now that any independent refiner, prior to the time that you had this arrangement with the Louisiana planters, was at full liberty to go and buy those Louisiana sugars at any price that he saw fit to pay?

Mr. HOOVER. Why, sure.

The CHAIRMAN. Who was?

Mr. HOOVER. We were in communication with the producers all of the time asking them to settle the matter with us first.

The CHAIRMAN. You were in communication with the producers asking them to settle the matter with you as to price before they would do business with any refiner?

Mr. HOOVER. Yes.

The CHAIRMAN. And they acceded to that, did they?

Mr. HOOVER. Yes.

The CHAIRMAN. And you expected them to accede to that?

Mr. HOOVER. They are very patriotic; they want to protect the consumer.

The CHAIRMAN. You expected them to accede to that?

Mr. HOOVER. Yes.

The CHAIRMAN. Up to that time you did not regard the other refiners as at liberty to go and buy the sugars, did you?

Mr. HOOVER. I do not know that it ever occurred to me one way or the other.

The CHAIRMAN. You knew they would not dare do it?

Mr. HOOVER. No.

The CHAIRMAN. You had them licensed?

Mr. HOOVER. Their license applies only to their refining tolls.

The CHAIRMAN. Their license applies to their whole business.

Mr. HOOVER. They may have opened up negotiations with the Louisiana producers if they liked.

The CHAIRMAN. Would you have expected them to do it; would you have tolerated it? Don't you know that you brought a condition and intended to bring about a condition which you say you intended for the purpose of protecting the Louisiana planters, and that that condition was that they were not to sell their sugars until you had agreed upon a price with them?

Mr. HOOVER. We had not made it a condition; we had simply made a request of them that they should open the matter with us first.

The CHAIRMAN. You expected that request to be followed?

Mr. HOOVER. I did, because I expected that they are——

The CHAIRMAN. You expected the refiners to fall in line with that, did you not?

Mr. HOOVER. I expect everybody in this country to fall in with plans for national good.

The CHAIRMAN. You expected the refiners to fall in with that plan, did you not?

Mr. HOOVER. I surely did.

The CHAIRMAN. And obey that idea. Now, outside of that, they were at liberty to go and buy, but if they did go and buy they would have run counter to this beneficent plan that you had for the purpose of regulating the price of that sugar. That being the case, will you tell us why you did not see to it when the price was fixed that all of the refiners of the country should have the same chance to acquire those Louisiana sugars?

Mr. HOOVER. The question of the point at which the Louisiana planter sells his sugar was absolutely immaterial to us.

The CHAIRMAN. Oh, but——

Mr. HOOVER. Wait one moment. Let me finish. A statement was made by us, I think by Mr. Rolph and by myself, to the Louisiana committee, that all the refiners would want sugar from them, and that we took no interest in where they sold their sugar, except that we wanted it properly distributed and we wanted to agree with them on a price.

The CHAIRMAN. Do you say that that statement was made to these Louisiana people?

Mr. HOOVER. I think I can produce to you the record of the meeting and show you where that statement was made.

The CHAIRMAN. Did you think that the other refiners would have a chance to buy these sugars, outside of Mr. Babst?

Mr. HOOVER. Why, surely. There are other refiners who bought them. Mr. Babst was only contracting for half of the sugar.

The CHAIRMAN. You say he was only contracting for half. He was optioning the rest; and were you present at the meeting at which Mr. Babst made his speech and said that he was virtuously going to withdraw because they were going to fix the price for sugars, and he was about to be a purchaser, and he did not want to be in the meeting when they fixed the price? Of course, that is not his language.

Mr. HOOVER. I was not.

The CHAIRMAN. You did not hear that speech?

Mr. HOOVER. No, sir.

The CHAIRMAN. Didn't you know that conditions were being created by which Mr. Babst was going to get a chance to buy that sugar before anybody else knew that a price had been fixed?

Mr. HOOVER. The Louisiana producers had asked Mr. Babst to come here.

The CHAIRMAN. I did not ask you that.

Mr. HOOVER. I assumed that they were going to sell him some sugar, and that was my sole interest in the matter.

The CHAIRMAN. And you did not undertake, in the interest of all fairness among those various refiners, to hold up any dealings until they could all come in and make their proposition to the Louisiana planter?

Mr. HOOVER. No. I was not interested in dividing that sugar around about; but one thing is desirable to bear in mind—that if Mr. Babst bought all of the Louisiana sugar, Mr. Babst's proportion of Cuban sugar would be reduced by that amount.

The CHAIRMAN. Is there anything in the contract that says that?

Mr. BABST. There is not, but there is in the distribution of sugars by the committee. It lies in the distribution.

The CHAIRMAN. Is not this the first time that that thought has even occurred to you?

Mr. HOOVER. No, sir.

The CHAIRMAN. Is it not a fact that there is not a line of that kind in the contract?

Mr. HOOVER. Mr. Rolph tells me that it is in the contract.

The CHAIRMAN. Let us see it.

Senator JONES. I think it is in the contract. At any rate, it was stated by Mr. Babst when he was on the stand, and he referred to the clause in the contract which he thought carried that restriction, and he distinctly stated that it would have applied on his distributive share from the international committee.

Mr. HOOVER. Yes; in fact, the contract sets it all out.

The CHAIRMAN. When was it that the contract was made with the Louisiana dealers?

Mr. MCGINNIS. October 26.

Mr. HOOVER. This contract is dated October 1.

The CHAIRMAN. The contract that you made, dated October 1, does not provide, does it, that in the distribution of sugars to the different refiners there should be taken into account those sugars which should thereafter be contracted for?

Mr. HOOVER. Yes; it does.

Senator JONES. Yes; it does at the bottom of the paragraph.

The CHAIRMAN (reading):

That in apportioning said sugar to any refiner, as provided in paragraph 4, the American Refiners' Committee shall take into consideration any written con-

tracts now in effect made by the refiner for the purchase of foreign or domestic raw sugars for delivery after the date of this agreement, and also any contracts which refiner may hereinafter make for domestic raw sugars which are not imported into the United States or any purchases of same.

I had not read that far down. That is correct. Was there any advantage to be gained there by anybody in obtaining these Louisiana sugars?

Mr. HOOVER. I do not know. There might have been some advantage of being able to supply one's customers, or something of that kind. There was no other special advantage.

The CHAIRMAN. That advantage of being able to supply one's customers is a tremendous advantage to institutions that have built up an enormous trade and a good will, is it not?

Mr. HOOVER. Why, Senator, there was nothing to prohibit any other refiner coming into this, and you seem to assume all the time that we made the contract between the Louisiana producer and the American Sugar Refining Co., which is not the case, nor did we have any hand in it.

The CHAIRMAN. I do not assume that, but I do assume that you did have a hand in it, a very decided hand in it, in this way, that you had created a condition by which no refiner felt at liberty to buy and contract for a pound of Louisiana sugar until you had fixed the price.

Mr. HOOVER. And every refiner——

The CHAIRMAN. And that then you fixed a price, with Mr. Babst substantially in the room.

Mr. HOOVER. That is not the case.

The CHAIRMAN. And allowed him to contract for fully one-half of the Louisiana sugar, and allowed that to be done without giving any notice——

Mr. HOOVER. That is not a correct statement.

The CHAIRMAN. To the other refiners, so that they could come in after the price had been fixed and have a chance to bid against Mr. Babst.

Mr. HOOVER. That is not a correct statement.

Senator JONES. I think I ought to make a statement here in order that those who may read the record along this line of examination may not be misled. I desire to call attention to the testimony of Mr. Babst in which he stated that no contract was made on the 26th day of October, and that he produced for the benefit of the record the papers which were issued by him at that time, that no contract was made here in Washington for any 100,000 tons of sugar or any other amount; that he issued a circular which went out to the planters of Louisiana which merely offered to purchase sugar at the price named, and that the contracts were not consummated until the planters themselves accepted the offer fixing the amount of sugar, and those acceptances, according to the testimony of Mr. Babst, were not received until some days later, and for a much less amount of sugar than 100,000 tons.

The CHAIRMAN. All of that to what point? Nobody has said here or undertaken to say that Mr. Babst did anything but make a proposition which was accepted and agreed upon by the representatives of the Louisiana planters; that it was not in set terms an absolute contract, but was of such a nature, as Mr. Hoover has testified, that it became immediately binding upon Mr. Babst so that he

had to accept any sugars tendered to him up to 100,000 tons at prices named. and in that sense it was a contract and was an option. Technically, the Louisiana planter could withdraw from it as an individual, and as a matter of fact the record shows that they delivered only 29,000 tons, in round numbers.

Senator LODGE. I think it was 26,000 that Mr. Babst testified to.

The CHAIRMAN. Twenty-six thousand tons or 29,000 tons; and I hope Senator Jones does not mean to say that I have referred to something that is not here.

Senator JONES. I interpreted it otherwise.

The CHAIRMAN. You have not been listening to what has occurred.

Senator JONES. From your questions I inferred that you were assuming an absolute contract was entered into for 100,000 tons of sugar at that time, and that he took an option on the balance.

The CHAIRMAN. We have been over all of that. Perhaps you were out of the room at the time. The whole detail had been put in here; and now we might as well understand this, that this is just as near a contract as can be made for the crop of sugar, and is always approved and the regular method of making it.

Mr. HOOVER. I think you omitted one or two considerations. One of them is that the contract was not made until after all of the conferences with the sugar planters were consummated; that any refiner in the country could have sent the same circular and invited the same business the American Sugar Refining Co. did, and other refiners have bought Louisiana sugars; that Louisiana sugars were offered to other refiners, even to Mr. Spreckels; and, further than that, that the problem of selling Louisiana sugars to refiners was all undermined by the ability to sell brown sugar in this market at the same price.

The CHAIRMAN. I understand that undermined it. That always happens when you undertake to do a thing and go against a natural law, when you fix a price that is not satisfactory, and the fellow finds a market for himself. That has been true in every one of these cases, but now you say that the other sugar refiners had as good a chance as Mr. Babst, and you say that in view of the fact that Mr. Babst retired from the room when you were discussing the question of prices and retired because it was understood that he was going to get the contract, and his virtuous soul would not allow him to be in there at a time when they were fixing a price, and that he left, so that everything would be free and open, and immediately these gentlemen, having agreed on a price with you, retired to Mr. Babst's room to do something—and now, what did he do?

Mr. HOOVER. I do not say anything of the kind.

The CHAIRMAN. Did they not agree then and there with Mr. Babst that he was to have 100,000 tons of this sugar if it could be gotten for him?

Mr. HOOVER. I did not say anything of the kind. What I do say is that the Louisiana producers themselves went and opened up negotiations for their market, and you can get Judge Milling here, who is the chairman, any time you like. They have for years dealt with the American Sugar Refining Co., had contracts for sugar, and it was a normal thing for them to do.

The CHAIRMAN. Then, you did intend to get Mr. Babst the contract. That is the fact about it, isn't it?

Mr. HOOVER. I did not. I had no interest in the matter at all.

The CHAIRMAN. They intended to.

Mr. HOOVER. They intended to, and they had a right to.

The CHAIRMAN. Then let us settle the question between you and Senator Jones here. You say they did intend to give the contract to Mr. Babst. You say they had always intended to give him the contract, and yet the position taken on the other hand is that they did not contract at all. What were they doing—contracting or not contracting—doing something or nothing?

Mr. HOOVER. I do not think even Senator Jones has intimated that they did not enter into some kind of an obligation.

The CHAIRMAN. Of course they did, and that obligation we have referred to as a contract.

Mr. HOOVER. The point the Senator makes is that there was ample time for any other refiner——

The CHAIRMAN. Afterwards?

Mr. HOOVER. No; at the same time.

The CHAIRMAN. At the same time? Do you say that the other refiners knew that that day in your office this price was fixed, was being agreed upon, and that they knew that in time to have gotten in communication with the representatives of these planters before the planters stepped right across into Mr. Babst's room and made the contract?

Mr. HOOVER. Four days elapsed, as I recollect it, between——

The CHAIRMAN. Why, Mr. Hoover——

Mr. HOOVER. Wait a minute. Let me finish—four days elapsed between the discussion as to the price and the ultimate settlement, with the proposed arrangement——

The CHAIRMAN. Did you hear Mr. Babst's testimony?

Mr. HOOVER. Let me finish.

The CHAIRMAN. That the agreement was made within two or three hours?

Mr. HOOVER. After the conferences were completed with us and during those conferences a notice was sent to the press by the Louisiana people themselves; they told the press they were here and were contracting for their sugar, and as far as that is concerned the whole of the sugar world knew it.

The CHAIRMAN. Did not Mr. Babst get his contract within 60 minutes after the agrement had been made between you and the planters?

Mr. HOOVER. We were three days in discussing with the planters.

The CHAIRMAN. Did he not get his option or contract, or whatever you call it, within 60 minutes?

Mr. HOOVER. We were over three days in consultation with the planters.

The CHAIRMAN. Did he not get his contract or his option, or whatever you call it, within 60 minutes after you had agreed on the price with the planters?

Mr. HOOVER. That I do not know, because I do not know anything about his negotiations with the planters.

The CHAIRMAN. That was done on the same day, and Mr. Babst so testified.

Mr. HOOVER. It does not interest me at all, and it does not interest the Food Administration.

The CHAIRMAN. You do not think it is a matter of interest to the Food Administration if they sat all of the morning engaged in a great contest over buying and selling and then entered into negotiations that affected millions of dollars worth of sugar, whether those men who were withholding their purchases in obedience to the orders of the Food Administration should be given a chance to enter the market?

Mr. HOOVER. There was no withholding of orders. That is not a correct statement to start with, and, secondly and more important, I do not pretend to say that I have a right to say who shall and who shall not buy or sell Louisiana sugar.

The CHAIRMAN. You do think you have a right to say who shall buy wheat and who shall sell flour.

Mr. HOOVER. The Government can buy wheat and flour.

The CHAIRMAN. The Government has not handled one sack of flour out of a hundred, has it?

Mr. HOOVER. No, sir.

The CHAIRMAN. Why do you say that the Government is handling flour? You know that the flour business is being handled by dealers in flour, that what the Government has done has been a very small thing in connection with the whole of the business. But I do not care to go into that again. We have been in the flour bin this morning, and we might as well let that go. I simply want to know if you think it was no part of your duty as a matter of fair dealing to have seen that the other refiners got a chance at this Louisiana sugar?

Mr. HOOVER. Mr. Rolph made the statement on my behalf to these Louisiana producers that they should consider the position of all of the refiners, and I made the recommendation to them. We had no authority in the matter. It was simply a matter of recommendation and advice. That is on record in our office.

The CHAIRMAN. You keep saying that you have no power except the matter of recommendation. You have the power, if you saw fit to use it, to cut them off from the chance to have their sugars refined anywhere by any of these refiners, do you not?

Mr. HOOVER. No, sir.

The CHAIRMAN. You had gotten the refiners into a room and had made them agree that they would get their sugars, except domestic sugars, through you. Do you have any doubt about the fact that you would have been able to have them agree that they would not refine any sugars that they did not get under your regulations? I am talking now about the power.

Mr. HOOVER. We did not do it.

The CHAIRMAN. Do you mean to say that the Louisiana planters came up here with the understanding that they had a free and open market in which to sell their sugars?

Mr. HOOVER. Surely.

The CHAIRMAN. And that they were under no species of compulsion or coercion of any kind?

Mr. HOOVER. The only compulsion that they were under was an appeal to their patriotism not to allow the price of sugars to get to an unprecedented height as against the American consumer.

The CHAIRMAN. And as a matter of fact you had the situation so well in hand at that time that you could deny them practically any market except the market they got privately. Is not that true?

Mr. HOOVER. Whether we had or not——

The CHAIRMAN. Is not that true, that you had that situation in hand?

Mr. HOOVER. We did not have such a situation in hand, and we have never tried to make such a situation.

The CHAIRMAN. Very well. The committee will take a recess here until 2.30 o'clock p. m.

(Accordingly, at 1 o'clock and 15 minutes p. m., the committee stood in recess until 2 o'clock and 30 minutes p. m.)

AFTERNOON SESSION.

The subcommittee met, pursuant to the taking of the recess, at 2.30 o'clock p. m..

TESTIMONY OF HERBERT HOOVER—Resumed.

The CHAIRMAN. Just one matter I want to return to for a moment. The price that you had fixed for beet sugar was 7.25, I believe?

Mr. HOOVER. That was the agreed maximum.

The CHAIRMAN. The maximum, yes. The price that was paid to the Louisiana planter was 6.35.

Mr. HOOVER. For raw; yes.

The CHAIRMAN. For raws. And if that sugar was sold in the New York market at 7.25, the same price as the beet sugar after having been refined, it would leave only 90 cents to the refiner for refining it and for the freights?

Mr. HOOVER. Yes; something like that.

The CHAIRMAN. You spoke about not allowing the purchase of the Cuban sugar by the refiners because they would run the price up, and if they had run the price up on the Cuban, would that have affected the price of can sugars in the Atlantic States?

Mr. HOOVER. Well, the request that we made of them not to pay over 6.90 was made, I think, before we fixed the negotiations with the best people.

The CHAIRMAN. Well, but regardless of that, if they had raised the price of cane sugar from Cuba it would have raised the price of cane sugars in the Atlantic States?

Mr. HOOVER. Yes.

The CHAIRMAN. Well, you wanted to keep the price of cane sugars up in the Atlantic States above the price of beet sugars, and you wanted to keep the beet sugars up to keep them from depressing the price in the Atlantic States?

Mr. HOOVER. We did not want to keep the price of sugar up at all, but we wanted to protect the Louisiana purchaser.

The CHAIRMAN. That is right; the Louisiana purchaser. Suppose you had not protected him, what would he have done about the price?

Mr. HOOVER. Supposing we had made no agreement with him during this shortage he probably would have sold his sugar at 25 to 30 cents a pound.

The CHAIRMAN. So that you were protecting him by keeping him from selling his sugar at 25 to 30 cents a pound. Now, in one breath you say you wanted to protect these Louisiana people from hard-

ship and in the next breath you say that the Louisiana people, without your protection, would have gotten 25 to 30 cents a pound?

Mr. HOOVER. Yes; but you have missed the fact that it was also our duty to protect the consumer.

The CHAIRMAN. Yes; but how can you claim here that you were in the business of protecting the Louisiana planter by keeping his price up in one breath, and in the next breath claim that if you had not interfered at all he would have gotten 25 or 30 cents a pound for his sugar? How can you reconcile those contradictory statements?

Mr. HOOVER. I agree with you they are contradictions in terms.

The CHAIRMAN. There is a contradiction in fact, is there not?

Mr. HOOVER. The Louisiana sugar planter did not show any desire to sell his sugar at an exorbitant price.

The CHAIRMAN. If he did not show a desire to sell his sugar at an exorbitant price what right have you to say that he would have exacted 25 or 30 cents a pound?

Mr. HOOVER. I know enough of the business there to know their sugars would have gone up to 25 or 30 cents a pound.

The CHAIRMAN. Now, you are guessing at that just like we can all guess; but, as a matter of fact, I want to know. You say if there had been no control of the sugar in Louisiana the price would have gone up to 25 or 30 cents a pound?

Mr. HOOVER. I agree that there is a contradiction in that, Senator.

The CHAIRMAN. It is a very interesting thing to have that contradiction straightened out, because it affects the sugar tables of 104,000,000 people, and it affects the value of a crop of 225,000 tons of Louisiana sugar directly, and it affects all our beet sugar indirectly.

Mr. HOOVER. The attitude of the Louisiana producer is that he wants a fair price on his labor and his capital.

The CHAIRMAN. Is that all he wanted?

Mr. HOOVER. That is all he asked for.

The CHAIRMAN. And yet he would have exacted 25 or 30 cents a pound from the people of the country?

Mr. HOOVER. He would not have exacted it, I do not think, willingly; but in the famine situation——

The CHAIRMAN. Do you claim that you put down the price of Louisiana sugars by these regulations, and thus reduced the profits of the planter, or do you claim that you put up the price to the planter and thus protected him?

Mr. HOOVER. What we claim is that we arrived at a fair return, in full cooperation with the planter as to what he should have, on his normal industry, and we protected the consumer at the same time.

The CHAIRMAN. In consultation with the planter. How many sugar planters are there in the United States? Do you know, approximately?

Mr. HOOVER. I have no idea, but they have a committee in Louisiana.

The CHAIRMAN. Several thousand, are there not?

Mr. HOOVER. They have a committee in Louisiana, and that committee came to us speaking for the planters in that section.

The CHAIRMAN. It spoke in a way, and in a loose way; but as a matter of fact the planter was not satisfied and he only delivered about 25 per cent of the sugar that had been contracted?

Mr. HOOVER. Oh, mind you, he has delivered all the rest of his sugar.

The CHAIRMAN. I mean, delivered it under the contract.

Mr. HOOVER. Well, the question of price applied to his brown sugars as well as to his raw sugar and to the contract; and he was complied——

The CHAIRMAN. Exactly. Now, let us not have a mistake of terms.

Mr. HOOVER. Wait a minute; let me finish, will you?

The CHAIRMAN. Yes.

Mr. HOOVER. He sold a part of his sugar raw, and he sold the great majority of it as plantation refined, and his plantation clarified sugar he sold at about the refined sugar price.

The CHAIRMAN. Under it, you say?

Mr. HOOVER. Yes.

The CHAIRMAN. Do you mean in compliance with it?

Mr. HOOVER. In compliance with it.

The CHAIRMAN. Do you mean to say, now, that the Louisiana sugar planter, having the chance in an open market to sell his sugar at 15 to 25 cents a pound, and having refused to deliver his sugar under this contract that he made with Mr. Babst, nevertheless went out and sold his sugar on the market without any advance beyond the price that he would have obtained from Mr. Babst?

Mr. HOOVER. No; the plantation clarified sugars have been sold and are selling through the country at approximately the price of refined sugar, so that he has an advantage equal to a portion of the refining toll.

The CHAIRMAN. Exactly; he raised the price some. Now, when this plantation man was selling that sugar throughout this country, selling it direct, how did you keep him from exacting this 15 or 25 cents which you say his cupidity would have led him to exact?

Mr. HOOVER. If there had been no control of any kind, or no request. It is a voluntary basis by which he has undertaken that he will not sell sugar for more, and I am confident that he has not.

The CHAIRMAN. Do you mean to say that the sugar planter of Louisiana has held to your prices?

Mr. HOOVER. I believe he has held to them.

The CHAIRMAN. As a matter of fact, he has sold his sugar all over the United States at such prices as he could get. Is not that the case?

Mr. HOOVER. No, sir.

The CHAIRMAN. And do you not know that that is the case?

Mr. HOOVER. It is not the case, and it is my confidence that he has stuck to the arrangement.

The CHAIRMAN. Yet a little while ago it was stated here with some emphasis that there was no arrangement with the Louisiana planter at all, except as it was contained in this proposition of Mr. Babst's that he would take 100,000 tons if delivered to him at a certain price.

Mr. HOOVER. I do not know where that statement comes from. The arrangements with the Louisiana producer cover the whole of his sugars.

The CHAIRMAN. Then, you did make an arrangement with this committee as to a price, did you not?

Mr. HOOVER. Why, surely, as to a maximum.

The CHAIRMAN. And then they made a contract with Mr. Babst at that price?

Mr. HOOVER. For the raw sugars.

The CHAIRMAN. For the raw sugars; yes, sir.

Mr. HOOVER. For a part of them.

The CHAIRMAN. Now, then, did you make an arrangement with these Louisiana planters as to the price they would charge for their plantation refined?

Mr. HOOVER. Surely.

The CHAIRMAN. Where is that contract?

Mr. HOOVER. I will have to get you the details. I do not know that it is in the form of a contract.

The CHAIRMAN. There is not any contract in existence, is there?

Mr. HOOVER. I do not recollect the actual form it took. I can find it.

The CHAIRMAN. As a matter of fact, there was not any contract made or anything purporting to be a contract made fixing the price of the plantation refined sugars. Is not that true?

Mr. HOOVER. I can not say for certain. I do not recollect whether or not there was anything in the shape of a contract.

The CHAIRMAN. Will you find it if it exists?

Mr. HOOVER. I can find it, but I want to add this, if you will give me the opportunity—that having determined with this committee what was a fair price under the food bill, we made the statement that anything charged over that price would be considered an extortionate and exorbitant price.

The CHAIRMAN. This statement of what would be considered extortionate would not have amounted to anything at all except for the law which defined or prohibited speculation and hoarding, would it?

Mr. HOOVER. Why, the strength of it arose from that section of the bill. obviously.

The CHAIRMAN. Yes. Would you undertake to say that those clauses of the bill applied in any manner to the sugar planter who refined his own sugar?

Mr. HOOVER (after examining the papers). I can not tell you that at the moment.

The CHAIRMAN. As a matter of fact, the bill in express terms excepts the farmer, does it not?

Mr. HOOVER. Yes; but when the sugar passed into second hands there was a chance there to do something.

The CHAIRMAN. It applies to manufacturers and importers, does it not?

Mr. HOOVER. Section 4 of the bill, I think you will find covers all of them.

The CHAIRMAN. I am not speaking about second hand; I am speaking about the plantation refined sugar.

Mr. HOOVER. But I say, section 4 of the bill, I take it, applies to everybody. It says "to exact excessive prices for any necessaries."

The CHAIRMAN. Let me see if I can not call your attention to the language. Let me have a copy of the bill.

Mr. HOOVER. I will ask you to read the last two lines of the section.

The CHAIRMAN. Of the section, you say?

Mr. HOOVER. Yes; section 4. No; it lies in the first portion of the section. The second portion applies to conspiracy.

The CHAIRMAN. Exactly. Now, let us read that:

That it is hereby made unlawful for any person willfully to destroy any necessaries for the purpose of enhancing the price or restricting the supply thereof.

Nobody proposed to do that; did they?

Mr. HOOVER. No.

The CHAIRMAN. The next clause is:

Knowingly to commit waste or willfully to permit preventable deterioration

That would not apply to a man who merely had some sugar and wanted to sell it; would it?

Mr. HOOVER. No. Let us get on down in the bill.

The CHAIRMAN. I will read on down the bill:

Of any necessaries in or in connection with their production, manufacture or distribution; to hoard, as defined in section 6 of this act, any necessaries; to monopolize or attempt to monopolize, either locally or generally, any necessaries; to engage in any discriminatory and unfair, or any deceptive or wasteful practice or device, or to make any unjust or unreasonable rate or charge in handling or dealing in or with any necessaries.

Mr. HOOVER. That is the clause.

The CHAIRMAN. That is the clause you rely on?

Mr. HOOVER. Yes.

The CHAIRMAN. Do you not know that there is a clause that excepts the farmers from even that general language?

Mr. HOOVER. I think the exceptions are to special sections all through the bill.

The CHAIRMAN. Let us see if I can not find them for you. The clause that I read to you, and which you say applies, is:

To hoard, as defined in section 6 of this act, any necessaries; to monopolize or attempt to monopolize, either locally or generally, any necessaries; to engage in any discriminatory and unfair, or any receptive or wasteful practice or device, or to make any unjust or unreasonable rate or charge, in handling or dealing in or with any necessaries.

That applies to traders, does it not? That does not apply to farmers?

Mr. HOOVER. It applies to these special people, under the advice I have had.

The CHAIRMAN. To what special people—the planter?

Mr. HOOVER. The planter is not only a planter, but he is a manufacturer of sugar.

The CHAIRMAN. That is to say, on his own plantation he refines his sugar?

Mr. HOOVER. Yes; he crushes and refines for himself and others, and therefore he is subject to——

The CHAIRMAN. Yes; and sells it?

Mr. HOOVER. Yes.

The CHAIRMAN. And is therefore subject to what?

Mr. HOOVER. He is therefore subject to a license as well as to that section of the bill.

The CHAIRMAN. Do you say that a farmer refining his own sugar is subject to a license? Have you insisted on their taking out licenses?

Mr. HOOVER. Yes. He is a manufacturer.

The CHAIRMAN. Have you insisted on their taking out licenses?
Mr. HOOVER. Yes; we have put them all under regulation.
The CHAIRMAN. Have they taken out licenses?
Mr. HOOVER. Yes; most of them, I believe.
The CHAIRMAN. Now, I call your attention to this language, which applies to the licensing:

That from time to time, whenever the President shall find it essential to license the importation, manufacture, storage, mining, or distribution of any necessaries—

And it goes on and gives a great number of things, and then says:

Provided, That this section shall not apply to any farmer, gardener, cooperative association of farmers or gardeners, including live-stock farmers or other persons with respect to the products of any farm, garden, or other land owned, leased, or cultivated by him, nor to any retailer with respect to the retail business actually conducted by him—

And so forth.
Mr. HOOVER. My advice has been that that does not apply to the manufacturer of sugar.
The CHAIRMAN. You have had some bad advice.
Senator VARDAMAN. Mr. Hoover, did I understand you to say that you have licensed these men?
Mr. HOOVER. Yes.
Senator VARDAMAN. They are now operating under license?
Mr. HOOVER. I believe most of them are.
Senator VARDAMAN. Are you sure about that?
Mr. HOOVER. I will have to look it up to get you exactly how many. There are a good number of them (*under lease*).*
Senator VARDAMAN. My information is—it may be incorrect—that they have not been licensed. I do not know, however. They have been licensed, you say?
Mr. HOOVER. Yes.
Mr. ROLPH. Not the growers of the cane, but the men who have mills.
Senator VARDAMAN. Are there not mills there that are owned by an association of the cane growers?
Mr. HOOVER. The moment they take cane from another piece of land they become manufacturers.
Senator VARDAMAN. This law, you remember, states that associations of farmers, associations of truck growers and fruit growers, and all that, shall be exempt from these provisions. Are you sure that that has been done, Mr. Rolph?
Mr. ROLPH. I am sure that the most of them have taken out licenses.
Mr. HOOVER. Most of the cane millers—cane crushers.
The CHAIRMAN. I call your attention to the language, so that we may have it in the record. In addition to the language which I have just read—which states that section 5 shall not apply to any farmer, gardener, or other person with respect to the products of any farm or garden or other land owned, leased, or cultivated by him, or to any retailer, etc.—in addition to that language we come to section 6, which applies to the hoarding of necessities, etc. Section 6 has this provision:

Provided, That any accumulating or withholding by any farmer or gardener cooperative association of farmers or gardeners, including live-stock farmers, or

* Italicized words in parentheses show changes made by Mr. Hoover after the hearing.

any other person, of the products of any farm, garden, or other land owned, leased, or cultivated by him shall not be deemed to be hoarding within the meaning of this act.

Then again, in section 26, which applies to persons engaged in commerce among the several States, or with foreign nations, or with or in the Territories, who shall store, acquire, hold, or destroy or make away with any article for the purpose of limiting the supply, etc., and provides that they shall be punished, this exemption is made:

Provided, That farmers and fruit growers, cooperative and other exchanges, or societies of a similar character shall not be included within the provisions of this section: *Provided further*, That this section shall not be construed to prohibit the holding or accumulating of any such article by any such person in a quantity not in excess of the reasonable requirements of his business for a reasonable time—

And so forth.

Mr. HOOVER. I think you will notice that wherever it was desired to make that exception it was made, and it was not made to section 4 of the bill.

The CHAIRMAN. Exactly; but section 4 of the bill refers to these matters of hoarding and these other things, and then dealers are taken up in the other sections, and the exception put in; but we will not discuss that.

Mr. HOOVER. We will not discuss that. I should like to point out one other thing to you, and that is that the moment any cane grower becomes a buyer of cane he is a manufacturer and becomes subject to a license.

The CHAIRMAN. And you then assert the right to regulate his price?

Mr. HOOVER. The right to regulate his profits.

The CHAIRMAN. And you regulate his profits by regulating the price at which he shall buy and the price at which he shall sell?

Mr. HOOVER. There is no intention of regulating the price at which he buys or sells except in another sense. If he charges an extortionate price he comes under other clauses of the bill.

The CHAIRMAN. So that this bill, which undertook to exempt from its operations the farmer as to the prices on his products, and which you said had nothing to do with price fixing, has been so worked out by you that you do fix the price on the farmer's wheat and on the planter's sugar, and what else do you fix the price on?

Mr. HOOVER. Of course, as I told you before, I do not admit the price-fixing theory that you have presented.

The CHAIRMAN. No; you come into the house from the other door, but we both get into the same room.

Mr. HOOVER. We take the bill as the bill reads, and the attempt of the bill in our view is to prevent extortionate prices.

The CHAIRMAN. That mean price fixing, does it not?

Mr. HOOVER. Well, you have got to determine what a price is, sometimes, in order to tell what extortion consists of.

The CHAIRMAN. Yes; certainly. Extortion consists in anything that you think is extortion. You decide that question yourself, do you not?

Mr. HOOVER. Well, I do not know that we ever have.

The CHAIRMAN. You decide what you think is a fair price, and anything that you do not agree to as a fair price becomes extortion?

Mr. HOOVER. Allow me to continue. I would have to have legal advice in order to answer that question. It never has been done. Whether I have the right to do it or not I do not know. All of these prices have been arrived at by consultation with the people concerned as to what would be a fair price.

The CHAIRMAN. All of them have been purely voluntary?

Mr. HOOVER. They have been voluntary agreements.

The CHAIRMAN. And yet you have testified, in answer to Senator Lodge, that these voluntary agreements could not be made if you did not have the power to force their making.

Mr. HOOVER. The remaining 5 per cent; 95 per cent agree.

The CHAIRMAN. Yes; and you have admitted here this morning on several occasions that, as a matter of fact, these people were in such a situation that they could be compelled to do your bidding.

Mr. HOOVER. I do not know that they were. I do not know that the matter ever arose in discussion.

The CHAIRMAN. One of the first questions I asked you this morning was whether or not the control of the distribution machinery did not control prices, and you said it did. That is true, is it not?

Mr. HOOVER. Yes: that is true, largely (*partially*).[1]

The CHAIRMAN. Now, I want to take that and apply it. The only market for Cuban sugars to-day and for the last number of months has been the allied Governments of Europe and the United States—the only substantial, real market. That is true, is it not?

Mr. HOOVER. That is true.

The CHAIRMAN. And in order to move those sugars they had to have boats, and the only boats that were capable of moving that sugar crop were under the control of the United States Government or of the allied Governments. That is true, is it not? [A pause.] You nod your head, and the reporter does not get it.

Mr. HOOVER. It is not quite true, Senator. There are certain neutral boats.

The CHAIRMAN. Well, I said the main crop, the substantial crop.

Mr. HOOVER. The bulk of the sugar would have to be moved under control.

The CHAIRMAN. Yes. The American sugar market for the raw Cuban sugars was the American refiners?

Mr. HOOVER. Yes, sir.

The CHAIRMAN. So that when you had the American refiners in an agreement as to the amount they would pay the Cuban planter or producer for his sugar, that fixed the American market, did it not?

Mr. HOOVER. We agreed to buy the Cuban sugar mutually between the three nations.

The CHAIRMAN. Yes; I am leaving out the agreement. I say, that would fix the market? The conditions I have named would fix the market for America, would they not?

Mr. HOOVER. It would fix the market for America, but it would not fix the market as long as the allies were open.

The CHAIRMAN. Very well. Now, I am coming to that. If the allies agreed with you or with American representatives to pay exactly the same price, then the Cuban market would be fixed, would it not?

Mr. HOOVER. Yes, sir; practically.

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[1] Italicized word in parentheses show changes made by Mr. Hoover after the hearing.

The CHAIRMAN. And you brought that about. You have stated many times that that would fix the Cuban market, and you did bring that about, did you not?

Mr. HOOVER. Yes; we did. We brought it about in close accord with the Cuban Government.

The CHAIRMAN. Yes; but aside from the Cuban Government, if the international committee had existed, as it did, and it had agreed upon a price that would pay, the Cuban would have had to take that price, would he not?

Mr. HOOVER. I think so.

The CHAIRMAN. Yes.

Mr. HOOVER. On the other hand, I do not think——

The CHAIRMAN. I am not saying whether it is just or not. I am not dealing with that.

Mr. HOOVER. Well, we were not for doing an injustice. Therefore we took the Cubans into the whole discussion.

The CHAIRMAN. Yes; I understand you took them in. Can sugar be produced in Cuba cheaper than it can in the United States?

Mr. HOOVER. Taking it by and large, I think that is undoubtedly a true statement. There are some sugars produced in the United States perhaps cheaper than the Cuban sugar.

The CHAIRMAN. Where are they?

Mr. HOOVER. Some beet sugars are produced very cheaply. They were before the war.

The CHAIRMAN. Let us not deal with an isolated case out of millions of cases.

Mr. HOOVER. I only want to be accurate. Taking it by and large, the statement is right.

The CHAIRMAN. Taking it by and large, Cuban sugars are produced cheaper than the sugars in the United States?

Mr. HOOVER. For which reason there has always been an import duty to protect the American producer.

The CHAIRMAN. Exactly. That is recognized. You fixed the price of Cuban sugars, however, at a point higher than the beet sugar. did you not?

Mr. HOOVER. It worked out finally to be 10 cents; I think it will come out about 10 cents higher. The intention was to work it out on the same price or to work it out at a less price, if possible.

The CHAIRMAN. But that is the way it worked out?

Mr. HOOVER. It worked out about 10 cents a hundred higher.

The CHAIRMAN. Can you tell me what the wholesale price of granulated sugar is in England?

Mr. HOOVER. The last statement I have seen is 10 cents a pound.

The CHAIRMAN. The wholesale price?

Mr. HOOVER. No; the retail price.

The CHAIRMAN. The retail price, of course, does not get us anywhere, because—well, what is the retail price in this country? About 10 cents a pound, is it not?

Mr. HOOVER. About 9½ cents in the Atlantic area.

The CHAIRMAN. And what is it in other places?

Mr. HOOVER. Eight and a half for Chicago and the Mississippi Valley. It varies with the locality.

The CHAIRMAN. I think it is about 12 when you go to buy it, but we will not argue that. Can you give me the wholesale price? Re-

tail prices tell us nothing, Mr. Hoover—we know that— because they vary so.

Mr. HOOVER. The wholesale price up until the new contract goes into effect with Cuba would work out at—what is it—$8.15?

Mr. ROLPH. $8.35.

Mr. HOOVER. $8.35.

The CHAIRMAN. Here?

Mr. HOOVER. Yes.

The CHAIRMAN. What was it in England?

Mr. HOOVER. I do not know.

Mr. ROLPH. In the West it was $7.25 less $2; $8.18—$8.10 net

The CHAIRMAN. No; I say, what is the English price?

Mr. HOOVER. That I do not know.

The CHAIRMAN. In studying this great food problem, have you not done anything to determine what the English prices were?

Mr. HOOVER. The English prices are fixed by law, and the market price at 10 cents is sufficient criterion to us. We know that the normal trade differentials take place—the retailer and the wholesaler. You will find that the English wholesale price is probably about a cent lower. That is the normal profit of the retailer.

The CHAIRMAN. Is not sugar being sold to-day at wholesale in England at less than it is being sold for in the United States?

Mr. HOOVER. Certainly not at retail, but it may be slightly less at wholesale (*I am not certain. The prices may be slightly less*),[1] because the English bought a large amount of Cuban raws early in the year, and as it is a Government matter, they have probably averaged the price over the entire period.

The CHAIRMAN. Did the Government buy those sugars itself, for its own account, and then distribute them out? Is that the way they handled it?

Mr. HOOVER. Yes.

The CHAIRMAN. Can you tell me what flour is worth in England? One of your assistants handed you something. Do you want to tell us what it was?

Mr. HOOVER. Here is a table showing different prices for 1916, but that is not of much interest.

The CHAIRMAN. No; that is not of any interest to us now. Can you tell me what the prices of flour are in England?

Mr. HOOVER. The flour price is a subsidized price now. The Government is spending money to make a reduced price of flour.

The CHAIRMAN. When did they begin to subsidize that price?

Mr. HOOVER. I think in the month of August—somewhere thereabouts.

The CHAIRMAN. They had subsidized that price before that, had they not?

Mr. HOOVER. I would not be sure as to the date.

The CHAIRMAN. And you told the committee, as proof of the fact that the American people were being badly used, that there was a cheaper price of flour in England than here, but you neglected to say that that was because of the subsidization.

Mr. HOOVER. No, sir; I did not say anything of the kind. I said the price of flour and bread at that time, or bread in particular, was

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[1] Italicized words in parentheses show changes made by Mr. Hoover after the hearing.

cheaper than it was in this country. That was before the subsidized price came in.

The CHAIRMAN. At that very time was not the English Government delivering flour at a discount below the world's market?

Mr. HOOVER. The prices were cheaper there than they were here.

The CHAIRMAN. Yes; and it was flour that was being delivered by the British Government, was it not, that they had bought in advance. just like you say they have now bought sugar in advance?

Mr. HOOVER. Yes and no. Part of the flour was Government flour and part of it was not. In any event, the price was lower, and it was not subsidized at the time. The Government was not losing money on it.

The CHAIRMAN. It was not subsidized, but the Government was losing money on it?

Mr. HOOVER. It was not.

The CHAIRMAN. The Government had bought it at cheap prices and was holding it and selling it?

Mr. HOOVER. Yes; but that does not imply that the Government lost money.

The CHAIRMAN. Oh, well. that is true; it does not; but it is a very different thing, is it not, from the fact that it was food regulation that was doing it, when. as a matter of fact, it was the English Government's money that had bought cheap wheat and made it into flour and was selling it at a cheap price?

Mr. HOOVER. It was cited as an evidence of the usefulness of food control, and it was a control measure which they had initiated and carried out to the benefit of their population.

The CHAIRMAN. You were claiming, however, at that time and in that connection not that this showed the advantages of food control, but you were saying that the speculators in this country were robbing us, and you were proving that the speculators in this country were robbing us by showing that the price of flour was cheaper in England, but you did not tell us that that was caused by the English Government having bought cheap wheat and made it into flour, and then having held it and put it on the market.

Mr. HOOVER. I do not quite understand what you are driving at.

The CHAIRMAN. Perhaps not.

Mr. HOOVER. Will you allow me to make this one statement? The English Government had bought wheat during the year. It had averaged the price of its wheat during the year. The American public was buying the flour on the basis of the speculator's profit. The American public at that time, as I recollect, was buying flour for $16 and $17 a barrel, whereas the average price that wheat had sold for in the United States during the year would have warranted flour to the consumer at about $9 a barrel. That is what the English Government had performed by its food control, you see.

The CHAIRMAN. You have told that a good many times. Is not this true, that while the average price of wheat would have brought $9 flour, and while the British Government did sel at approximately that average price, and while it is true that the price of flour went almost to $16 at one time, that the average price of flour in the United States for last year was less than the English price, and a good deal less than the English price, speculator or no speculator?

Mr. HOOVER. It may have been, average price; but we were talking about a particular occasion.

The CHAIRMAN. We were talking, as you have just now been talking, about the average price of English flour, and you talked about the average price of English flour, and then you want to contrast that average price not with our average price, but with a price that flour went to at one particular occasion.

Mr. HOOVER. Yes, it went——

The CHAIRMAN. And do you think that is fair?

Mr. HOOVER. Yes; it went to——

The CHAIRMAN. And over here——

Mr. HOOVER. Oh, let me finish.

The CHAIRMAN. Certainly.

Mr. HOOVER. We were talking of an occasion when flour by speculation had gone to $16 or $17 a barrel, and I pointed out that flour, by virtue of English food control, had been held over the year at a proper ratio to the price of wheat, whereas the American consumer was suffering from the result of speculation.

The CHAIRMAN. Did you tell the people at the same time that the English Government had for months and months exacted a much higher price from the English public than our people were obtaining in the open market?

Mr. HOOVER. I do not think that is the case.

The CHAIRMAN. It was the case, for I looked up the figures, and I put them into the Congressional Record a dozen times. You are speaking about speculation. Since we have gone into the question of speculation, at that time that flour reached these enormous figures the allied governments were buying in our market, were they not?

Mr. HOOVER. They had bought before. I do not know whether they were buying at the precise moment.

The CHAIRMAN. They bought about that time in enormous quantities.

Mr. HOOVER. Not in enormous quantities.

The CHAIRMAN. They bought millions of bushels in a day sometimes, did they not?

Mr. HOOVER. As I recollect, their purchases after (*and about*)[1] March in this country were (*I understand*)[1] some 25,000,000 or 30,000,000 of bushels out of a total of 300,000,000 bushels that they used (*200,000,000 bushels*).[1]

The CHAIRMAN. But 30,000,000 bushels in the month of March, at the fag end of the wheat crop, is a good deal, is it not?

Mr. HOOVER. I could not say that, because there was considerable wheat in the country.

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[1] Italicized words in parentheses show changes made by Mr. Hoover after the hearing.

Statistics compiled from the Price Current Grain Reporter (accepted by Agricultural Department as an accurate journal) and Monthly Crop Report of Agricultural Department.

[Taken from a speech by Senator James A. Reed appearing in the Congressional Record of June 25, 1917 p. 4558.]

Jan. 6	192½@192	175½@187			56,885,000	4,397,000	Jan. 4	5,423,000
Jan. 13	193 @201	191 @190	150.2	8.75@ 8.30	53,500,000	5,073,000	Jan. 11	6,789,000
Jan. 20	199½@198	184 @191			51,826,000	5,614,000	Jan. 18	5,614,000
Jan. 27	181 @193½	174½@187½			49,650,000	5,340,000	Jan. 25	7,639,000
Feb. 3	187½@191½	151½@179½			48,721,000	6,054,000	Feb. 1	6,808,000
Feb. 10	169 @178	165½@175	164.8	7.60@ 7.00	47,898,000	2,901,000	Feb. 8	5,853,000
Feb. 17	176 @183	169½@177			46,848,000	4,855,000	Feb. 15	4,113,000
Feb. 21	192	175½@180			45,137,000	4,090,000	Feb. 22	5,048,000
Mar 3	192½@192½	177½@189½			44,916,000	4,531,000	Mar. 1	4,512,000
Mar. 10	198 @202	185 @192			43,137,000	4,952,000	Mar. 8	5,619,000
Mar 17	194½@198½	175½@186½	164.4	9.20@ 8.35	41,410,000	5,245,000	Mar. 15	4,678,000
Mar 24	198 @201	182 @194			40,119,000	3,135,000	Mar. 22	5,472,000
Mar 31	201½@212	190½@199			37,317,000	6,691,000	Mar. 29	4,262,000
Apr. 7	207½@223½	195½@214½			37,474,000	5,767,000	Apr. 5	2,337,000
Apr. 14	219 @246	202 @225½	180	9.00@12.50	34,253,000	5,958,000	Apr. 12	5,560,000
Apr. 21	243 @275	221 @244			31,257,000	5,172,000	Apr. 19	5,569,000
Apr 28	272 @314	227½@240			25,756,000	4,985,000	Apr. 26	6,611,000
May 5	290 @314	230 @255			32,143,000	4,907,000	May 3	5,727,000
May 11	310 @315	279 @325	245	13.00@15.00	33,080,000	5,524,000	May 10	6,509,000
May 18	299 @330	[1] 215 @240			.....	5,767,000	.....	.....

[1] May wheat. [2] July.

Wholesale price of wheat flour on or about the 15th of the month at New York and London.

[Taken from a speech of Senator Reed appearing in the Congressional Record of June 25, 1917, p. 4561.]

[Per barrel of 196 pounds.]

Years and months.	New York—Spring patents.		London—American spring, good.	
	Low.	High.	Low.	High.
1916.				
May	$6.25	$6.50	$8.17	$8.35
June	5.75	6.10	7.83	8.00
July	5.95	6.20	7.32	7.49
August	7.90	8.25	8.69	8.86
September	8.25	8.60	9.20	9.37
October	8.50	8.75	9.54	9.71
November	9.70	9.95	10.56	10.73
December	9.20	9.45	10.56	10.73
1917.				
January	9.75	10.00	10.56	10.81
February	9.00	9.25	10.73	10 90
March	9.75	10.00	10.73	10.90
April	11.25	11.50	11.75	11.92
May	16.50	16.75	12.43	12.60
June	14.50	14.75	12.43	12.60

NOTE.—The prices at New York are from the New York Journal of Commerce and prices at London are from Mark Lane Express.

A statement showing the average price received by farmers of the United States in each month for the years 1910 to 1917, inclusive, for wheat, corn, oats, barley, and rye.

[Taken from a speech of Senator Watson appearing in the Congressional Record of June 23, 1917, p. 4483.]

	1917	1916	1915	1914	1913	1912	1911	1910
Wheat:								
Jan. 1	150.3	102.8	107.8	81.0	76.2	88.0	88.6	103.4
Feb. 1	164.8	113.9	129.9	81.6	79.9	90.4	89.8	105.0
Mar. 1	161.4	102.9	133.6	83.1	80.6	90.7	85.4	105.1
Apr. 1	180.0	98.6	131.7	84.2	79.1	92.5	83.8	104.5
May 1	245.9	102.5	139.6	83.9	80.9	90.7	84.6	99.9
June 1	248.5	100.0	131.5	84.1	82.7	102.8	86.3	97.6
July 1	.....	93.0	102.8	76.9	81.4	99.0	84.3	95.3
Aug. 1	.....	107.1	106.5	76.5	77.1	89.7	82.7	98.9
Sept. 1	.....	131.2	95.0	93.3	77.1	85.8	84.8	95.8
Oct. 1	.....	136.3	90.0	93.5	77.9	83.4	88.4	93.7
Nov. 1	.....	158.4	93.1	97.2	77.0	83.8	91.5	90.5
Dec. 1	.....	160.3	91.9	98.6	70.9	76.0	87.4	88.3
Corn:								
Jan. 1	90.0	62.1	66.2	69.6	48.9	62.2	48.2	62.3
Feb. 1	95.8	66.7	72.8	68.3	50.6	64.6	49.0	65.2
Mar. 1	100.9	68.2	75.1	69.1	52.2	66.6	48.9	65.9
Apr. 1	113.4	70.3	75.1	70.7	53.7	71.1	49.7	65.5
May 1	150.6	72.3	77.7	72.1	56.8	79.4	51.8	63.5
June 1	160.1	74.1	77.9	75.0	60.6	82.5	55.1	65.2
July 1	.....	75.4	77.7	75.5	63.2	81.1	60.0	66.2
Aug. 1	.....	79.4	78.9	76.8	65.4	79.3	65.8	67.2
Sept. 1	.....	83.6	77.3	81.5	75.4	77.6	65.9	66.3
Oct. 1	.....	82.3	70.5	78.2	75.3	70.2	65.7	61.1
Nov. 1	.....	85.0	61.9	70.6	70.7	58.4	64.7	52.6
Dec. 1	.....	88.9	57.5	64.4	69.1	48.7	61.8	48.0
Oats:								
Jan. 1	51.4	39.1	45.0	39.1	32.2	45.1	33.2	42.8
Feb. 1	55.2	44.6	50.1	39.3	32.4	47.5	33.1	45.0
Mar. 1	56.9	42.7	52.1	38.9	33.1	49.8	32.8	46.0
Apr. 1	61.5	42.0	53.4	39.5	33.1	52.0	32.3	45.6
May 1	71.0	42.6	53.4	39.5	34.2	56.0	33.2	43.3
June 1	69.9	42.1	51.3	40.0	36.0	55.3	34.7	43.0
July 1	.....	40.4	46.7	38.8	37.7	52.5	37.5	42.1
Aug. 1	.....	40.1	45.4	36.7	37.6	44.3	40.2	41.7
Sept. 1	.....	43.1	38.5	42.3	39.3	35.0	40.4	38.4
Oct. 1	.....	44.5	34.5	43.3	39.6	33.6	42.5	36.2
Nov. 1	.....	49.0	34.9	42.9	37.9	33.6	43.8	34.9
Dec. 1	.....	52.4	36.1	43.8	39.2	31.9	45.0	34.4

A statement showing the average price received by farmers of the United States in each month for the years 1910 to 1917, inclusive, for wheat, corn, oats, barley, and rye—Continued.

	1917	1916	1915	1914	1913	1912	1911	1910
Barley:								
Jan. 1	87.1	54.9	54.3	52.2	49.9	86.4	59.8	57.6
Feb. 1	92.7	61.7	62.9	52.4	51.4	91.2	64.1	59.3
Mar. 1	96.9	59.6	67.7	51.1	49.0	91.0	63.0	60.2
Apr. 1	102.3	57.2	64.7	51.7	48.5	92.3	69.1	59.7
May 1	121.1	59.6	63.8	49.3	48.3	96.2	74.0	56.5
June 1	119.3	59.6	62.0	49.1	52.7	91.1	73.8	55.7
July 1	.....	59.3	55.8	47.5	53.7	81.9	70.1	53.9
Aug. 1	.....	59.3	56.7	45.1	50.8	66.8	69.3	54.7
Sept. 1	.....	72.9	51.9	52.5	55.2	53.5	77.0	57.2
Oct. 1	.....	76.5	46.8	51.8	56.8	54.8	81.7	56.1
Nov. 1	.....	83.2	50.1	51.7	54.7	53.8	84.9	55.3
Dec. 1	.....	88.2	51.6	54.3	53.7	50.5	86.9	57.8
Rye:								
Jan. 1	118.5	85.3	90.2	62.5	63.8	82.7	73.3	74.8
Feb. 1	123.5	88.3	100.6	61.7	68.9	84.4	73.1	76.1
Mar. 1	126.0	85.6	105.4	61.9	63.2	84.0	71.9	76.5
Apr. 1	135.6	83.6	100.4	63.0	62.9	85.1	75.4	76.6
May 1	164.1	83.7	101.9	62.9	62.4	84.6	75.8	74.9
June 1	183.0	83.8	98.1	64.4	64.1	86.1	77.9	74.8
July 1	.....	83.3	93.7	63.1	63.2	83.6	76.9	74.6
Aug. 1	.....	83.4	89.0	61.0	60.7	77.9	75.5	74.4
Sept. 1	.....	99.7	85.5	75.4	63.0	70.8	76.9	74.1
Oct. 1	.....	104.1	81.7	79.0	64.8	70.1	79.7	72.8
Nov. 1	.....	115.3	85.7	80.1	63.2	68.8	83.1	71.6
Dec. 1	.....	122.1	83.4	86.5	63.4	66.3	83.2	71.5

The CHAIRMAN. You have testified that the wheat was pretty nearly cleaned out at that time?

Mr. HOOVER. Yes.

The CHAIRMAN. Did the Belgian relief committee buy some large amounts of grain during that year?

Mr. HOOVER. During the whole year they probably bought a total of 25,000,000 bushels.

The CHAIRMAN. Not more than that?

Mr. HOOVER. I should not think so.

The CHAIRMAN. Did they sell any of it again?

Mr. HOOVER. Only in Belgium. I take that back. There were some boats that were driven into the English ports at the time of the embargo, and they had to resell it.

The CHAIRMAN. Did they buy and resell on the market here?

Mr. HOOVER. No; they did not buy and resell except some odds and ends not adaptable for shipment.

The CHAIRMAN. They did not buy foods and then sell them again?

Mr. HOOVER. No, sir; not that year. They did two years before. They bought some foods to secure their shipment in 1915.

The CHAIRMAN. How much did they buy?

Mr. HOOVER. I think the New York committee bought about 1,000,000 bushels in 1915 as a guaranty of (*hedge for*)[1] shipment, something of that order.

The CHAIRMAN. I do not care to go into that further, because it is a question off by itself. I simply speak of it because it came in in connection with this price of flour. The price of flour, as a matter of fact, mounted only the latter part of the year and after nearly all of the wheat had been marketed.

[1] Italicized words in parentheses show changes made by Mr. Hoover after the hearing

Mr. HOOVER. After the wheat had passed into the hands of the speculator.

The CHAIRMAN. Let us see about these speculators. We have heard that a good many times. Whom do you mean by the speculators?

Mr. HOOVER. I take it that the entire trade was engaged in speculation when it was putting up prices.

The CHAIRMAN. Let us see who was putting up prices. I want to ask you if you mean now to give the impression to the country that the speculators had bought up wheat from the farmer at low prices and then held it, and then after getting the crop was selling it at enormously high prices, by virtue of the speculative movement?

Mr. HOOVER. No; I do not mean that. There was comparatively little vicious speculation, but there was a constant rise in price by which everybody engaged in the trade benefited.

The CHAIRMAN. That is not speculation, is it?

Mr. HOOVER. I would consider it so.

The CHAIRMAN. Is not this the fact. We will take that year—that the farmer begins to market his wheat about the month of July, and during the months of July, August, September, and October he markets very large quantities of wheat. That is true, is it not?

Mr. HOOVER. Yes.

The CHAIRMAN. The prices during those months for wheat last year were low.

Mr. HOOVER. Yes; comparatively so.

The CHAIRMAN. Is it not true that that wheat when it was marketed was very largely ground into flour?

Mr. HOOVER. I do not know what portion was ground into flour as it went along. That is a statistical matter. It passed out of the hands of the farmer early in the year.

The CHAIRMAN. And is it not a fact that having been ground into flour it went right on to the market and the flour was sold at prices absolutely in proportion to the wheat prices?

Mr. HOOVER. No.

The CHAIRMAN. Making those allowances which always have to be made for slight fluctuations up and down?

Mr. HOOVER. That is not true. The flour distribution of this country, so far as the consumer is concerned, is made from month to month. It is distributed through the 12 months. The wheat was sold in the early part of the year, and, according to the Department of Agriculture, the farmer realized $1.44 for his wheat. I can give you the average price of flour for the year, and you will find that it was a good deal more than the reciprocal of $1.44.

The CHAIRMAN. I happen to have it myself. I want to know if this is not true—we will take the month of July—if the price of a barrel of flour is not approximately five times the price of a bushel of wheat.

Mr. HOOVER. I do not know what it was, but I would like to add this, that on your own statement that the farmer was marketing the total American wheat early in the year, say, 500,000,000 bushels——

The CHAIRMAN. I have not made any such statement.

Mr. HOOVER. You said he marketed his wheat early in the year.

The CHAIRMAN. I said he marketed the majority of his wheat crop early in the year.

Mr. HOOVER. Put it in that way.

The CHAIRMAN. I want to clear this up, because it has been a matter of contention for a long time. As a matter of fact, it takes from 4½ to 5 bushels of wheat to make a barrel of flour, does it not?

Mr. HOOVER. Yes; somewhere along there.

The CHAIRMAN. And the price of a barrel of flour is from four and a half to five times the price of a bushel of wheat.

Mr. HOOVER. That is an approximation.

The CHAIRMAN. The price differing a little in localities on account of freight hauls, so that it will be probable that with dollar wheat the price of a barrel of flour would be approximately $5.25 to $5.50. I want to know if during the month of July last year the price of flour at wholesale was not approximately five times the price of wheat?

Mr. HOOVER. I should imagine it was; I do not know accurately without looking it up.

The CHAIRMAN. Was not that true of August and September and October and November and December and January? Did not those conditions obtain—the same relative prices?

Mr. HOOVER. I have not the statistics in front of me. You may be correct.

The CHAIRMAN. Then there came a period when, because of the buying of the allies in our markets, and also of the neutrals, the price of wheat was run to a very high point, and the price of flour was also run up by the same buying.

Mr. HOOVER. Yes. Flour maintained its ratio to wheat all the way through, month by month.

The CHAIRMAN. Is it not true that taking the year as a whole and averaging the price of flour over the year, our people got their flour for less than the British people got their flour on the average?

Mr. HOOVER. It may be or may not be true.

The CHAIRMAN. You do not know?

Mr. HOOVER. Wait a minute. Your statement misses one critical point, that the farmer sells his wheat, as you say yourself—the major portion of it—early in the year, and he sold it at low prices.

The CHAIRMAN. Yes.

Mr. HOOVER. The American public, on the other hand, buys its flour from month to month, and while the arithmetical average price for the whole year would represent fairly well what the consumer pays for his flour, it does not represent what the farmer gets for his wheat.

The CHAIRMAN. You wanted to protect the farmer. That was your object, was it?

Mr. HOOVER. One of our objects.

The CHAIRMAN. Your object in protecting the farmer you have carried out by going contrary to the terms in this law.

Mr. HOOVER. I do not concede that.

The CHAIRMAN. And without authority of this law.

Mr. HOOVER. I do not concede that for one moment.

The CHAIRMAN. And taking away the farmer's market for his wheat this year and fixing a price at which he must sell it this year, although you told the committee when this bill was under consideration that there was no price fixing in it.

Mr. HOOVER. I do not concede your statement for a moment. You are making a statement here that is practically a judicial decision.

If anything wrong has been done in the administration of this bill, it is for the courts to determine. I do not assume that you can give judgment on the subject at all. I do assume that the Food Administration——

The CHAIRMAN. I am taking your own statement.

Mr. HOOVER. I do assume that the Food Administration has remained within the law in everything that it has done, and within the intent of the law.

The CHAIRMAN. You have stated there was no price fixing in the bill, and you have stated you had fixed the price.

Mr. HOOVER. Price fixing from a point of view of a legal regulation that such and such is the price is different from arriving at a stabilizing price (*stabilized price through an agreement to control distribution*).[1]

The CHAIRMAN. Did you arrive at an agreement with the farmers of the United States as to the price of wheat?

Mr. HOOVER. So far as it was possible by assembling a commission to get a decision (*in which they had a voice*).[1]

The CHAIRMAN. Yes; and you got together half a dozen men and you fixed a price that 45,000,000 people are to get for their products, and you call that an agreed price. That is all, Mr. Hoover. Before I close I desire to read into the record a portion from the first interim report of the Royal Sugar Commission, dated December, 1916.

Mr. HOOVER. Senator, might I mention that in Willett & Gray, of December 27, the price of refined sugar in London is given as 10 cents and in New York as 8.18 cents.

The CHAIRMAN. What are those, wholesale or retail prices?

Mr. HOOVER. I understand from Mr. Rolph that they are wholesale prices.

Mr. ROLPH. Willett & Gray, of December 20.

Senator LODGE. Both wholesale prices?

Mr. ROLPH. So I understand—royal commission prices.

Senator LODGE. That gives a ground of comparison.

The CHAIRMAN. The English Government buys the sugar and still charge their people more than this price that is to be paid here after our refiners have made $1.30 for the refining of it?

Mr. HOOVER. Bear in mind our shipment charges are very much less than theirs.

The CHAIRMAN. If you take off the shipment charges, what about the prices?

Mr. HOOVER. There will be some difference on that account, but a good deal of this sugar was bought from American refineries.

The CHAIRMAN. Did you see the statement of Lord Grey, made a few days ago, to the effect that the English public was being fed better than it has ever been fed and that the prices had been maintained all along as reasonable—in substance, that statement?

Mr. HOOVER. I should think it is greatly to the credit of their food control, if they are able to do it under the circumstances.

The CHAIRMAN. Did you see that statement?

Mr. HOOVER. I did not.

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[1] Italicized words in parenthesis show changes made by Mr. Hoover after the hearing.

The CHAIRMAN. That was what I asked you. I did not ask you what your opinion was as to whether it was to the credit of the food control or not.

I read now an extract from the first interim report of the Royal Commission on Sugar Supply, showing the operations of the royal commission on the sugar supply from date of appointment to beginning of December, 1916:

There have been times, notably at the end of 1914, during which the price of sugar in outside markets has been quoted at rates below those at which the commission was placing its sugars on the British market. But at those times the quotations have usually been the result of transient influences (including often the commission's own absence from the market), and have been no true indication of what prices would have been under normal conditions. During the greater portion of the period of the commission's operations, it is certainly the case that, exclusive of duty, the selling price of sugar in this country has been below that of sugar in New York, notwithstanding the added cost of freight. Thus, at the present moment, eliminating duty, the wholesale price in the United Kingdom of good granulated (the standard quality for refined sugars) is 26s. 10¾d. per hundredweight. To eliminate duty from the New York quotations for a given quality of sugar is not such a simple matter as it is here, owing to the complexities of the American tariff. The calculation may be made in more ways than one; but, taking it on the basis of duty at the highest rate (and therefore the least favorable to us), the "in bond" price in New York on December 1 of good granulated works out at 28s. 2¾d. per hundredweight, or 1s. 4d. per hundredweight in excess of the price in this country.

Mr. HOOVER. It is much to the credit of their food control; but they have been operating for an entire year, whereas we have been only going for four months, and we had to start at the pinnacle of prices.

The CHAIRMAN. If their prices are higher over there than they are here, what becomes of the credit to the food administration?

Mr. HOOVER. I really can not say. (*I can see no point to your question.*)[1]

The CHAIRMAN. In other words, if the prices are lower over there than here, it is to the credit of the food administration, but if they are higher over there than here, it is to nobody's discredit?

Mr. HOOVER. There is the difference of period. We had prices of sugar much higher in the month of August than now.

The CHAIRMAN. There is a difference of period, but there is no difference in the principle. If low prices in England are to be taken as commendatory of the control and as proof that the control is a success, then if they have failed to maintain those prices, and the prices have become higher than they are here, it would seem to follow that their food administration had fallen down.

Mr. HOOVER. You might also assume that we have been doing something here, trying to restrain prices in the meantime.

The CHAIRMAN. What have you done except what you have told us—anything?

Mr. HOOVER. No; and I think we have told you a good deal.

The CHAIRMAN. I think you have.

Senator VARDAMAN. Mr. Hoover, I realize that you have a very difficult function to perform just at this time in order to meet the responsibilities of this important place to which you have been called by the President. You have called to your assistance men of ex-

[1] Italicized words in parentheses show changes made by Mr. Hoover after the hearing.

pert knowledge in the different departments of trade with which you have to deal.

Mr. HOOVER. Yes.

Senator VARDAMAN. It was not brought out in your case as it has been with other witnesses, but I want to ask you what is your vocation?

Mr. HOOVER. I am an engineer.

Senator VARDAMAN. What have you been doing for the last 20 years?

Mr. HOOVER. I have been practicing my profession as an engineer until the war broke out, since which time I have been engaged in public work.

Senator VARDAMAN. Where have you been practicing your profession?

Mr. HOOVER. In the United States, in connection with Mexico.

Senator VARDAMAN. What other countries?

Mr. HOOVER. China, India, Australia, South Africa, and Russia, I think.

Senator VARDAMAN. Have you spent very much of your time in the United States in the last 20 years?

Mr. HOOVER. I have spent a considerable portion of my time here. I have been away off and on, sometimes for a year, sometimes for two or three years.

Senator VARDAMAN. Where is your place of residence?

Mr. HOOVER. Stanford University, Cal.

Senator VARDAMAN. California is your native State. Is that your home, now?

Mr. HOOVER. That is my home. My native State is Iowa.

Senator VARDAMAN. Your home is in California?

Mr. HOOVER. Yes.

Senator VARDAMAN. Are you a qualified elector there?

Mr. HOOVER. I do not know that I am at the moment, because I have been away on public work for three years.

Senator VARDAMAN. Have you ever voted there?

Mr. HOOVER. I do not think so.

Senator VARDAMAN. Did you ever vote in the United States?

Mr. HOOVER. I do not believe (*recollect*)[1] that I have ever voted in anything else than purely local matters, because I have been in a profession that kept me moving about in the United States and elsewhere, so that I was not settled enough at any one time.

Senator VARDAMAN. You have spent more time in England in the last 20 years than you have in the United States, have you not?

Mr. HOOVER. I should imagine in the aggregate; yes.

Senator VARDAMAN. Are you not a resident of London, with a home there?

Mr. HOOVER. No; I am not. I had a house in London. I rented a house there. I have a family, and I must put them somewhere from time to time.

The CHAIRMAN. Have you had a house in the United States until you came here this last time where you have kept your family?

Mr. HOOVER. Yes.

The CHAIRMAN. Where?

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[1] Italicized word in parentheses show changes made by Mr. Hoover after the hearing.

Mr. HOOVER. At Stanford University.

The CHAIRMAN. When, what years?

Mr. HOOVER. Oh, I could not tell you exactly what years now, but off and on I have had a house there for a long time.

The CHAIRMAN. Have you lived in California so little that you can not tell me one of the years you lived there?

Mr. HOOVER. Oh, yes; I can.

The CHAIRMAN. What years did you have a house in San Francisco, or at Stanford University?

Mr. HOOVER. I had a house in San Francisco itself, I think, in 1913.

The CHAIRMAN. For how long?

Mr. HOOVER. My family lived there for a matter, I should think, of seven or eight months.

Senator VARDAMAN. I want to ask you one other question. You have been in this philanthropic work or patriotic work since the war began?

Mr. HOOVER. Yes.

Senator VARDAMAN. You had never had any experience in this line of work you are now engaged in in the United States before?

Mr. HOOVER. No, sir. I was engaged in conducting large metallurgical and railway operations at one place and another, general commercial experience, if it is worth anything.

Senator VARDAMAN. I understand, and it is much to your credit. It has been pointed out here that the only way that you can possibly carry out this line of work was to call to your assistance men whose personal pecuniary interests were involved in the administration of the law, and I wanted to show by your own case that you had never had any experience in this work, and yet you have been able to conduct the affairs of the great office to which you have been appointed by the President.

Mr. HOOVER. I would make this statement in connection with that, for what it is worth, that the Belgian Relief Commission itself involved much the same problems as the American Food Administration over a period of two years and a half.

Senator VARDAMAN. But you had had no experience in buying and selling grain and food and clothing?

Mr. HOOVER. No.

Senator VARDAMAN. Up to the time that you were appointed to do this work?

Mr. HOOVER. Up to the time of the Belgian relief.

Senator VARDAMAN. That is what I mean—that you were appointed to do that work. So it is not absolutely necessary that men should have been called to perform these different functions whose private pecuniary interests conflict necessarily with the public service?

Mr. HOOVER. Bear in mind this, that a man is hardly a competent man who does not assemble all the skill that he can obtain to his assistance, and in the whole plan of the food administration I have tried to mobilize the commercial institutions of the country, to secure their good will and their patriotic services.

Senator VARDAMAN. That is commendable, and I am not censuring you for it, but the point I make is that it is pretty hard to serve God and mammon both; it is pretty hard for a man who is hired to protect the interest of his employer where there comes a conflict with

the interest of the public. He has to be true to one and faithless to the other. He can not be true to both.

Mr. HOOVER. May I continue a little on that, that the men who are the heads of divisions in the food administration, those who have the actual labor to do, are, so far as it is possible to secure such men, entirely dissociated from any commercial interests in the country. There are one or two of those men who have some commercial interests, but the main test that I have to apply to this situation is very simple, and that is whether or not a man is willing to devote himself to assisting his country to win the war in subjection to all personal and private interests, and if a man stands that test, then I do not care what his associations are.

Senator VARDAMAN. Oh, certainly, but there is a difference between service, work, and what a man says. I have noticed in all this investigation that the larger interests that were involved in this matter have not been neglected. There has been no sacrifice made by any of the larger interests for the good of the public.

Mr. HOOVER. Senator, I would differ from that. I consider that when a refiner has had his refining differential lowered to the extent this has been that he at least has made some sacrifice.

Senator VARDAMAN. As a mater of fact, you said that you were instructed to fix that differential so as to insure to the refiner the profits that he enjoyed in normal times.

Mr. HOOVER. But not the profits that he was enjoying out of this war period.

Senator VARDAMAN. Of course. A man who would take advantage of this emergency to make money out of the people who are suffering so much is worse than an outlaw.

Mr. HOOVER. Do you dispute the right of a commercial interest to make its prewar normal profit?

Senator VARDAMAN. As a matter of fact, I do, when the people are suffering so much. The men who are suffering at the front are not making their normal profits, and they are giving up everything. The boy who leaves a thousand-dollar position and takes $350 a year and loses the balance and gives his life is not being protected. I do not think they have any more right to get it than anyone else has to claim it. The men who are suffering at the front are not being protected in that way.

Mr. HOOVER. I will agree with you in theory that no one should make any profit at all out of this war, but I have serious doubts whether as an economic system the country would revolve 24 hours without it.

Senator VARDAMAN. If it could not revolve 24 hours without it it is because of lack of patriotism.

The CHAIRMAN. I do not want to interrupt this examination——

Senator VARDAMAN. I am through.

The CHAIRMAN. Senator Jones, did you want to ask some questions?

Senator JONES. Yes.

The CHAIRMAN. And Senator Lodge, I believe, desires to ask a question or two. The attorney general of Ohio is here, and he has his ticket for the 6.15 o'clock train. I dislike very much to discommode Mr. Hoover——

Senator LODGE. My question is not of sufficient importance to bring him back here.

Mr. HOOVER. It would be a very great favor to me if I could get through this afternoon.

Senator LODGE. I only wanted to ask this, and it is a mere matter of inquiry as to facts: Were you confronted in Cuba with the same difficulty that you met in the case of the beet grower—that is, the condition of the small planter?

Mr. HOOVER. Yes.

Senator LODGE. Who simply grew the cane and took it to the centrals?

Mr. HOOVER. Yes.

Senator LODGE. That is what I wanted to find out—if he has been in your consideration.

Mr. HOOVER. Yes; otherwise we would have had a stringency in production.

Senator LODGE. The other question is one which affects my section of the country more than anywhere else. I have been looking up the figures that Mr. Babst gave, and my memory is correct as to the amounts that he agreed to take—100,000 tons?

Mr. HOOVER. Yes.

Senator LODGE. The other side were not bound?

Mr. HOOVER. They were bound by nothing.

Senator LODGE. And he agreed also to send only 50,000 tons North!

Mr. HOOVER. That was the arrangement made between them. I do not know what the details were.

Senator LODGE. That is in his testimony.

Mr. HOOVER. Yes.

Senator LODGE. Therefore the utmost amount that he could send was 50,000 tons to the northern market?

Mr. HOOVER. Yes.

Senator LODGE. The rest was to be manufactured in Louisiana!

Mr. HOOVER. It was assumed that the rest of it would be refined as raised and that a proportion of it would find its way into the northern markets as well.

Senator LODGE. That was his agreement. He got 26,000 tons, leaving about 200,000 tons of Louisiana sugar, which was dealt with there either by the large refiners or on the plantations.

Mr. HOOVER. Yes.

Senator LODGE. Did not all of that sugar go to the nearest points, practically? Was it not all distributed through the South and the Southwest and the Mississippi Valley?

Mr. HOOVER. I do not think so. I think a great quantity of it has gone into the Northeastern States, as much as they could get cars for. We have been busy trying to arrange for cars.

Senator LODGE. You mean plantation granulated?

Mr. HOOVER. Yes.

Senator LODGE. I never saw or heard of any there, and I did not know any Louisiana crop reached us, except the American Sugar Refining Co.'s 26,000 tons; that certainly did.

Mr. HOOVER. I could not tell you how much reached that territory.

Senator LODGE. That is all.

Senator JONES. Mr. Hoover, this law under which you have been acting came into effect about the 10th of August, I believe.

Senator JONES. I wish you would state what was the condition of the sugar market at that time, both as to supply and as to prices.

Mr. HOOVER. As to prices, the Cuban raws had sold, I understand, as high as 7.77. The refined had sold as high as, I think, 9.15 wholesale. We were right at the pinnacle of a great rise, and the prospects then, in view of the allied situation and the sugar that they were expecting to take, were certainly for some shortage in our supplies. Allied demands were even heavier than we had anticipated. They had made arrangements to take, and subsequently took, after I came into office about 230,000 tons of Cuban raws, and then they came on to us for considerable amount of refined, which, I think, totaled 82,000 tons, or some tonnage like that. One hundred and two thousand tons were actually exported.

Senator JONES. At the time you began your operations as food administrator under this law, Mr. Hoover, the supply of sugar in the United States was either inadequate or its inadequacy was impending. Is that true?

Mr. HOOVER. The situation was endangered. We were not able to tell what our situation would actually be. We could not bank on the exact early arrival of beet sugars, and we were not certain whether we could cover the gap between.

Senator JONES. How were prices moving at that time?

Mr. HOOVER. They were going up steadily.

Senator JONES. Did you become familiar or acquainted, in a general way, with the opinions of people engaged in the sugar trade as to what was the probable future trend of prices?

Mr. HOOVER. The whole of the opinions that we received from the people in the sugar and the wholesale trades and others who were competent to speak was that unless some restraint could be put upon this condition we would have 25-cent sugar.

Senator JONES. I will ask you to what extent the people engaged in the sugar trade felt that there should be some sort of control of the sugar industry?

Mr. HOOVER. I think that all of the people engaged in the trade, so far as I know, were of one mind; that there should be some form of control.

Senator JONES. I will ask you to state to what extent the people engaged in the sugar trade cooperated with you in your work after you became director under this law?

Mr. HOOVER. We have had universal cooperation. We have had this difficulty always—that there is no trade in the world that is so rife with private quarrels and bitterness as the sugar trade, and it has been very difficult indeed for us to secure teamwork amongst those men to a common objective on account of their personal difficulties. Many of them have buried them; some of them have not yet been able to; but aside from that feature we have had cooperation.

Senator JONES. To what extent have you had the cooperation of the wholesale dealers of the country?

Mr. HOOVER. Very good cooperation indeed.

Senator JONES. What was the prevailing opinion among them as to the necessity for some sort of control?

Mr. HOOVER. They have certainly been in favor of control. They have had meetings of their various associations at various times and passed various resolutions on these points to that end.

Senator JONES. To what extent have prices receded since your taking control as food administrator?

Mr. HOOVER. The prices of sugar in the section west of the Alleghenies have receded from a cent and a half to a cent and seven-eighths to the consumer, and on the Atlantic seaboard practically a cent, from the prices when we started in.

Senator JONES. Do you know whether or not there is any general prevailing opinion among people engaged in the sugar trade as to where retail prices would have gone had there been no control?

Mr. HOOVER. All of the evidence that we have in our office, which consists of many telegrams and many letters, and I think, so far as I know, no dissension, agrees that sugar would have gone all the way from 20 to 30 or perhaps 40 cents.

Senator JONES. Have you letters and telegrams from people engaged in the sugar business expressing their views in that respect?

Mr. HOOVER. We have. Here are some of them. [Producing telegrams].

Senator JONES. From what class of people, generally, are those?

Mr. HOOVER. These are from wholesalers and refiners and dealers in sugar generally. These telegrams have been sent in apropos of this investigation and the statement that was made here that there would have been no advance in prices if this restraint had not been put on. There has been no solicitation about them.

Senator JONES. I see a memorandum on the front of this which says: "Missouri, 20; Illinois, 12," and other States totaling 83. Does that memorandum show the diversity of country from which these telegrams come?

Mr. HOOVER. I presume so. I have not seen it before, and I do not know that all the telegrams relate to this subject. I have not looked them over, but I assume they do. Mr. Rolph tells me he sent out some wires asking various dealers what the situation was locally, from which some of those may have arisen.

The CHAIRMAN. Substantially all of those telegrams are in reply to telegrams Mr. Rolph sent out. That is the same bunch we had here before; is it not, Mr. Rolph?

Mr. ROLPH. Yes, sir.

The CHAIRMAN. And they were ruled out then on the ground that they were mere expressions of opinion from people, sent in in response to telegrams that were sent out since the hearing had begun.

Senator JONES. I observe that the first of these telegrams is dated at Kansas City, Mo., December 18, 1917, and is from Harry E. Sloan, secretary Missouri-Kansas Wholesale Grocers' Association, in which it is stated:

> Beyond question of doubt had it not been for service of C. and H. sugars during October, this territory would have been practically bare of supplies; and had it not been for Federal control, people would have paid during October at least 30 cents per pound and at no time since then under 20 cents per pound, as sugar would bring whatever asked during October. Beet sugar was entirely unavailable, and the people depending on small storage stock and the service of C. and H.

Senator LODGE. California and Hawaiian.
Senator JONES. Yes. That is the Californian and Hawaiian sugar?
Mr. HOOVER. Yes.
Senator JONES. Which came in there from the California refinery, as I understand.
Here is another from Kansas City, Meinrath Brokerage. Who were they? Do you know?
Mr. HOOVER. I have no idea who they are, any of them.
Senator JONES. Here are a number of these telegrams and the one I have read. While it may not be in the exact words of the others, I will ask you to state whether or not you have been supported by the people throughout the country generally—I do not mean without exception, but generally supported—in what you have undertaken, and from them heard expressions as to the value of the work upon which you are embarked?
Mr. HOOVER. I should think that we have had an almost overwhelming response of that character from the country. The belief exists throughout the country that had these restrictive measures not been put in force the consumer would have been penalized.
The CHAIRMAN. Do you think that adds anything to this, Senator Jones, and is a proper manner of examination?
Senator JONES. Oh, I think so, or else I would not do it.
The CHAIRMAN. Well, that may be the case. The evidence is of such a character that it never would be received in any court. The statement of Mr. Hoover that he has received encomiums, etc., and that he has pleased the people would hardly add to the question under investigation. I have no desire to stop it. I simply submit to any member of the committee that that is entirely outside of the investigation. I would not try to stop it.
Senator JONES. I may lay a foundation for it which I think would make it admissible even in a court of justice, or perhaps a criminal court in Missouri.
The CHAIRMAN. You have not had any experience in that court yet.
Senator JONES. No; I have not; that is true. I think I am glad of it.
Mr. Hoover, has it not been a part of your duties as a public official to get in touch with public sentiment in connection with the operation of this law, and to rely upon that public sentiment for cooperation and assistance in the performance of your work?
Mr. HOOVER. The whole foundation of the Food Administration is based on the voluntary help of the American people.
Senator JONES. And so it has been your business to get the expert opinions of people engaged in this particular trade as to the effect and operation of this law and the things which have been done under it, has it not?
Mr. HOOVER. It has; and it has been a matter of unceasing debate with all sections of the trade.
Senator JONES. Is it not the consensus of opinion among the people engaged in that trade that the necessity for such a law existed?
Mr. HOOVER. It certainly is. The most of the associations of wholesalers and other trade associations in this country passed resolutions time and again asking for such a law, and, furthermore, the United States Chamber of Commerce has canvassed the whole of its members and has even asked for a more drastic law. Whether it is justifiable or not. I only mention that as an indication of public opinion.

Senator JONES. As I understand you, when you came into office you were confronted with high prices for sugar?

Mr. HOOVER. Yes, sir.

Senator JONES. And a limited supply?

Mr. HOOVER. Yes, sir.

Senator JONES. The thing which you undertook to accomplish was to lower the price of sugar to the consumers of this country and at the same time have the price high enough so that the production of sugar might not be impaired, or that it might possibly be stimulated. Was that your purpose?

Mr. HOOVER. It was that, and it was more. It was to lay a foundation as well for even a lower price in the future.

Senator JONES. Yes. In other words, you felt that the price of sugar at the time you came into office was too high?

Mr. HOOVER. Yes.

Senator JONES. And what has occurred to prices since you came into office?

Mr. HOOVER. They have been gradually lowered.

Senator JONES. They have been gradually lowered, and the first step toward lowering the price was to fix the price of beet sugar?

Mr. HOOVER. Yes, sir.

Senator JONES. Lower than was then the prevailing price, or the anticipated price if there had been no control?

Mr. HOOVER. Yes, sir.

Senator JONES. And you put the price of beet sugar at the lower price, but not so low as to demoralize the sugar market at that time. Did you have that in mind?

Mr. HOOVER. Yes, sir.

Senator JONES. And by voluntary agreement with the beet-sugar growers and with the Louisiana sugar producers——

Mr. HOOVER. The beet-sugar factories.

Senator JONES. I mean the beet-sugar factories—by voluntary agreement with them and the Louisiana producers of sugar, and now with those in control of the Cuban sugars, you have brought about a condition whereby a supply of sugar to the American consumer is practically assured at a reasonable price, have you not?

Mr. HOOVER. Yes, sir; and it is assured throughout next year; and I should like to add this: The American sugar bill is about $800,000,000 a year to the consumer, and in my view we are saving (*will save*)[1] the American consumer anywhere from $300,000,000 to $500,000,000 during the 12 months from 1st of October.

Senator JONES. Are the prices which have been agreed upon sufficiently high, in your opinion, to encourage the production of sugars?

Mr. HOOVER. They are.

Senator JONES. Where is that statement which I handed to you, Senator Reed, yesterday afternoon—that statement of Mr. Hoover's?

(The chairman produced the statement and handed it to Senator Jones.)

Senator VARDAMAN. Why not let it go in?

Senator JONES. If it can go into the record I will ask any questions regarding it.

Senator VARDAMAN. Just let it go in.

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[1] Italicized words in parentheses show changes made by Mr. Hoover after the hearing.

The CHAIRMAN. I have no objection to its going in except the mere matter of incumbering the record.

Senator JONES. I should like, Mr. Hoover, to get a concise statement of your views as to the condition of the sugar market during this year, and the supply, etc. I believe you have prepared such a statement, have you not?

Mr. HOOVER. I have.

Senator JONES. And this is what I now hold in my hand?

Mr. HOOVER. Yes, sir.

Senator JONES. I ask that it go into the record.

Senator VARDAMAN. I move that it be allowed to go in.

The CHAIRMAN. Let it go in.

(The statement was marked "Exhibit No. 169," and is here printed in full into the record, as follows:)

EXHIBIT No. 169.

SUGAR SHORTAGE.

For purposes of understanding the world sugar situation, four factors must be borne in mind:

(*a*) The United States, Canada, and England were importing countries before the war, while France and Italy were very nearly self-supporting.

(*b*) That the main sources of supplies to importing countries were—

1. Germany and neighboring powers.
2. The West Indies.
3. The East Indies.

(*c*) The German sources have been cut off entirely, and Germany also largely absorbs the sugar of surrounding countries at the present time. Before the war England drew approximately 1,400,000 long tons per annum from German and neighboring sources. France produced about 750,000 long tons of beet sugar and exported 50,000 tons. The French production in 1917 fell to 210,000 long tons. Italy produced about 210,000 long tons and imported almost none. The Italian production fell to 75,000 long tons. Thus these three countries were thrown onto West and East Indian sources for 1,925,000 tons to maintain normal consumption—or to reduce this by home economies. The East Indian sugar requires about three times the length of voyage and therefore three times the amount of tonnage to bring from that source compared to the West Indies. The actual draft of sugar from the Western Hemisphere by the allies was 1,420,000 tons against 300,000 tons prewar normal. They also drew some 400,000 tons from Java and the East Indies.

(*d*) The steady shortening of shipping throughout the year thrust an increasing drain on the West Indies. Aside from this constant element of uncertainty in the position from month to month, another uncertain factor arose, in that we could not judge the effect of their conservation measures in Europe. While drastic on the civil population, the consumption of soldiers is far above normal.

The Food Administration was created August 10, 1917. The statistical evidence had indicated for some time that the heavy but uncertain draft of Western Hemisphere sugar to Europe might narrow our margin of supplies pending the new crop. In order to prevent supplies from going elsewhere than to the allies an embargo upon exports from the United States was put into force on August 27, 1917, and the Cuban Government cooperated by placing an embargo on all its sugar except to ourselves and the allies on October 1, 1917. In the meantime every effort was made by the Food Administration to secure voluntary reduction of consumption by widespread propaganda, in order that we might afford as much supplies to the allies as possible.

Efforts were made to secure Java imports, but no shipping could be allowed by the Shipping Board, nor did our efforts succeed in securing foreign shipping.

In August the English Government reduced the household sugar ration to a basis of 24 pounds per annum per capita, and in September the French Government reduced their household ration to 6 kilos, or about 13.2 pounds, and at the same time placed further restrictions upon use in manufacture. In August the French Government found itself unable to maintain even this ration from their

supplies and appealed to the American Government for exports. These were granted, and it was agreed should be continued up to 100,000 tons. The American household consumption being at least 55 pounds per annum per person, it was considered that the duty of maintaining French morale made our course plain. A plea for further reduction in consumption to assist the French was laid before the public by the Food Administration, as it was felt that this concession to the French and the other causes already noted would indicate at least sporadic shortages in the period prior to the harvest of Louisiana and beet sugars in November, although at no time would supplies wholly fail or even amount to privation if the public supported the administration in reducing unnecessary consumption. Requests were made to distributers to supply the confectionery and sweet-drinks trade with 50 per cent of normal, and this has been generally followed by patriotic persons. Such regulations were voluntary, as the Food Administration had no authority to impose them.

The Department of Commerce returns show the exports to the allies were as follows:

	United Kingdom.	France.
August	17,920	21,051
September	146	10,846
October	9,868	32,670
November	33	17,702
Total	28,037	82,319

The allied traffic executive gives the following shipments to France (the dates probably do not exactly coincide), and some sugar was diverted en route to France:

August	13,879
September	35,731
October	22,783
November	13,033
Total	85,426

During this period 236,777 tons of raws were shipped direct from Cuba to the allies—a total of 327,133 tons to them since August 1.

Subsequent to granting the French permit up to 100,000 tons, the car shortage in this country rendered it impossible to secure an even distribution over the country, and it was arranged to shift some sugar among allies to France and allow the distribution of some 30,000 tons of sugar intended for France in the Northeast, we proposing to help the allies from Gulf ports or Cuba, as the case might develop. We have not yet been able to do so, although the allied situation is to-day more critical than ever.

The Food Administration has conducted a systematic campaign for the reduction of individual sugar consumption. The reduction has shown in the decrease in candy sales, etc., but on the other hand a similar campaign for the preservation of fruit has increased consumption in that direction, but will reduce consumption later on.

In the face of the crucial situation in England and France and the obvious shortage in this country, any discouragement to this campaign is a positive disaster.

Taking into consideration the stocks of raw sugar on January 1, 1917, the total net supplies from all sources—after deducting exports—from January 1 to September 1, 1917, were in the calculations of our statistical division about 3,287,000 long tons against 2,989,000 long tons in the same period of 1916, or an apparent net increase in supplies by about 300,000 tons. On the other hand the carefully compiled statistics of the Department of Agriculture show the net sugar retained in the United States for the past three years is as follows to the 30th of June each year:

	Long tons.
1914	3,925,801
1915	3,851,327
1916	3,553,733
1917	3,777,040
Average for three years, 1914–1916	3,776,952

Therefore, while the consumption for the fiscal year 1917 was 223,907 tons in excess of 1916, it was only 688 tons in excess of the average of the three previous years. Consequently I am in doubt as to whether there was any real increase in consumption and as to whether the apparent increase can not be accounted for as to differences in invisible stocks from year to year. A rough stock taking by the Food Administration of supplies indicated on September 1 that there was in the hands of refiners and principal storage houses about 300,000 tons. This has since been found by the Department of Agriculture to have been 325,000 tons. The stocks in these hands at the same date in 1916 are undeterminable.

Several explanations have been made of the supposed increased consumption and many explanations given:

(*a*) A higher wage level and consequent higher standard of living and the increase due to increased dry area.

(*b*) The largely increased amount of home fruit preservation.

(*c*) Some household hoarding during the months of February, March, and April upon the general alarm created by the declaration of war. The trade journals of this period will confirm the time of this run upon the sugar bank. In my opinion there has been a reduction in household consumption since July last.

(*d*) No statistics on sugar consumption from year to year can be looked upon as precise because of the variation which may occur in trade supplies, of which there has been no collected date, and there is some evidence of increasd holdings by the trade because of unsettled condition.

(*e*) Taking into consideration all factors, it is not certain that there has been any increase in actual consumption, and considering the increased canning use there may have been a decrease.

As to the situation between September 1 and December 6, the following indicates the supplies as nearly as we can estimate in round numbers:

Sugar received and disbursed (long tons).

	September.	October.	November.
On hand	300,000	154,700	82,231
Cuban	140,380	72,881	9,882
All others	55,026	54,563	46,404
Louisiana	.....	.....	80,000
Beet	31,500	100,000	150,000
Total	526,906	373,244	368,517
Exports	22,206	41,013	43,000
Balance	504,700	332,231	325,517
Consumption, say	350,000	250,000	250,000
Balance forward	154,700	82,231	75,517

The average monthly consumption is about 350,000 tons, and there has been in October and November at least 70 per cent of normal supply.

During the month of December, if cars are available, the beet manufacturers can distribute 150,000 tons, and Louisiana could ship 50,000 tons. Over-seas arrivals should amount to 40,000 or 50,000 tons. This, together with stocks, should maintain 70 per cent of normal consumption if cars were available. After January 1 arrivals from over seas should rapidly increase. The movement into the Northeastern States has been the most difficult point, owing to the railway blockade and embargoes on the eastern lines. One result is to give sufficient supplies in the area of free movement and to cumulate the shortage in the Northeast. At the present moment about 140 cars of beet sugar alone destined for the Northeast are held up en route. By December 1 practically all Cuban old crop had been exhausted and under the Cuban embargo shipped either to the United States or the allies.

My own conclusion is that the conflicting operation of the war-declaration run on the sugar bank and the conservation measures have more or less neutralized each other; that the drain of the allies on Cuban and American supplies denuded us of a margin of about 300,000 tons that we needed to maintain normal consumption, instead of about 70 to 80 per cent during the last three months of the

year; that this shortage has been accentuated by the lack of cars to move Louisiana and beet sugar promptly to areas of greatest pressure; that there is not to-day, nor has there been, any supplies available which have not been brought into distribution.

There has been a constant administrative difficulty from month to month in being unable to forecast the allied shipping position and the results from their reduced consumption and consequently of their needs.

Such statements that there have been or will be ample supplies of sugar available are not only wrong and opposed to every fact in the situation but if they are believed and acted upon by the American public will have done this country's war efforts incalculable harm. It is our stern duty to feed the allies; to maintain their health and strength at any cost to ourselves. There has not been, nor will be as we see it, enough sugar for even their present meager and depressing ration unless they send ships to remote markets for it. If we, in our greed and gluttony, force them either to further reduce their ration or to send these ships we will have done damage to our abilities to win this war. To-day the number of soldiers we can send to France is limited by the ships we have available. If we send the ships to Java for 250,000 tons of sugar next year to piece out their ration we will have necessitated employment of the equivalent of 11 extra ships for one year. This, in our present situation, is the measure of transport and maintenance of 150,000 to 200,000 men in France.

The food bill contains no price-fixing powers and no price-fixing in a legal sense has been attempted, and there has been no restraint on competition below profiteering level.

In order to protect the public from profiteering and speculation, to protect it from 25-cent sugar in the face of a short supply, every element of the sugar production and sugar distribution in the country was called into conference and asked to voluntarily enter into undertaking with the administration to prevent these things. The national necessity was pointed out to these men. They were appealed to on the ground of patriotism to give their skill and cooperation to the undivided public interest in this time of national stress, to bury thoughts of personal gain and serve the Nation. They were appealed to to bury their trade fights and trade jealousies and work in the common interest. There are many interests to consider. The cane producers of Louisiana, the beet producers, the beet manufacturers, the Hawaiian cane producers, the cane refiners, the Cuban producers, the allied necessities, the American consumer. These conflicting interests have much accumulation of hatred and bitterness.

It has been necessary to organize these groups upon a voluntary basis and to drive this team to the common good; the ultimate ends being—

(1) To protect our producer and consumer.
(2) To prevent speculation and extortion.
(3) To supply the allies.

You gentlemen will, before you are finished, have before you evidence of the gigantic difficulties in the sugar trade, and the animosities that make this problem almost insuperable. I would like to point out that a task of similar dimensions has needed to be carried on in many other trades. Food control is a new field in the world, and we have taken on even newer ground in the United States—organization on a voluntary basis.

The price of refined sugar to the consumer rose suddenly in August from 8½ to 10½ and 11 cents per pound. As a result of measures taken it has been reduced in the territory north and west of the Ohio and Mississippi to 8 and 8½ cents, or a reduction of from 1½ to 2 cents per pound, and in the South and Atlantic seaboard States to 9½ cents, or a reduction of about 1 cent per pound.

The price of sugar rose from 10 cents to 30 cents during the Civil War, when there was no restraint.

Sales of sugar from 16 to 20 cents per pound have been followed up vigorously and stopped, and is evidence itself of the prices at which consumers would have been mulcted had we not intervened. We have forfeited wholesalers' licenses in aggravated cases and we have issued warnings to first offenders in a great many instances through our local administrators.

The Food Administration took the following steps:

(*a*) Suspension of speculation in futures in the sugar market. This step has necessarily discommoded the business of many persons who lived upon exchange operations, but stopped high prices being made for advanced position and the tendency of distributers to follow with their shelf stocks.

(*b*) A voluntary agreement with the beet-sugar producers by which the price of beet sugar was made 7.25, or about 1 to 1½ cents below the price then ruling.

and its universal distribution provided for. A voluntary agreement of the California Hawaiian Refinery to adhere to the beet basis, despite the higher basis for cane sugar in the East.

(*c*) An agreement with the Louisiana producers by which the price was limited to 7.80 granulated.

(*d*) A request to American refiners not to pay more than 6.90, duty paid at New York, for import raws. Sales had been made as high as 7.77. The balance of Cuban old-crop sugar available has been bought at this price and distributed either in the United States or by the allies at these prices, and that this sugar has already come into the market is sufficient answer to the charges that this action prevented the sugar from reaching the American consumer.

(*e*) A regulation limiting the profits of refiners.

(*f*) A regulation limiting the profits of wholesalers and dealers.

(*g*) A widespread propaganda informing the public of the maximum price they should pay retailers and that wholesale prices were not to be raised, and a ruling that retailers charging exorbitant prices would have their supplies cut off.

The Food Administration, of course, has no ability to control retail prices except by public opinion, but all these measures have resulted in maintaining a price of from 8½ to 9½ cents, granulated, retail, depending upon the locality, and therefore the necessary freight differences.

Every 1 cent raise in sugar from September 1 to January 1 means $18,000,000 to the American consumer. Numbers of gentlemen would tell you that 20-cent sugar would have prevailed and the public robbed of $180,000,000 this year if we had not taken these actions. I do not contend that they could not have been more efficient. They are as efficient as they could be with the feeble weapon of voluntary agreement that we have been able to wield. Had the right not been stricken out of the food bill for us to purchase sugar directly for the Government, both the price and the distribution could have been handled more efficiently.

The statement has been made that the action of the Food Administration in September in limiting the price to be paid for Cuban raws caused some 50,000 to 100,000 tons of these sugars to be diverted elsewhere and contributed to this shortage, aside from the operation of the embargo of the Cuban Government in our favor. A complete answer to this statement lies in the fact that all of the Cuban sugar since that date has come either to this country or to the allies and has been consumed. Some existing small contracts were permitted to Spain and Mexico, amounting to less than 2,000 tons. I submit the following telegram from our consul general in Cuba, as follows:

"Exports from Cuba to neutral countries for September, October, and November according to statistics here as follows: Spain, 316 long tons; Mexico, 1,650. No other. Practically no sugar on island of old crops unsold.

"H. H. MORGAN,
"*American Consul General.*"

CONTROL OF CANE REFINERS' PROFITS.

Immediately upon the establishment of the Food Administration an examination was made of the costs and profits of refining, and it was finally determined that the spread between the cost of raw and the sale of refined cane sugar should be limited to $1.30 per hundred pounds. The prewar differential had averaged about 85 cents and increased costs were found to have been imposed by the war, in increased cost of refining losses, cost of bags, labor, insurance, interest, and other things rather more than cover the difference. After prolonged negotiations the refiners were placed under agreement establishing these limits on October 1, and anything over this amount to be agreed extortionate under the law. In the course of these investigations it was found by canvass of the Cuban producers that their sugar had, during the first nine months of the past year, sold for an average of about $4.24 per hundred f. o. b. Cuba, to which duty and freight added to the refiners' cost amounted to about $5.66 per hundred. The average sale price of granulated by various refineries, according to our investigation, was about $7.50 per hundred, or a differential of $1.84.

In reducing the differential to $1.30 there was a saving to the public of 54 cents per hundred. Had such a differential been on use from the 1st of January, 1917, the public would have saved in the first nine months of the year about $24,800,000.

NEXT YEAR.

With a view to more efficient organization of the trade in imported sugars next year, two committees have been formed:

1. A committee comprising representatives of all of the elements of American cane refining groups. The principal duty of this committee is to divide the sugar imports pro rata to their various capacities and see that absolute justice is done to every refiner.

2. A committee comprising three representatives of the English, French, and Italian Governments; two representatives of the American refiners with a member of the Food Administration. Only two of the committee have arrived from Europe, but they represent the allied governments. The duties of this committee are to determine the most economical sources from a transport point of view of all the allies, to arrange transport at uniform rates, to distribute the foreign sugar between the United States and allies, subject to the approval of the American, English, French, and Italian Governments.

This committee, while holding strong views as to the price to be paid for Cuban sugar, has not had the final voice, this voice has rested in the Governments concerned, together with the Cuban Government, and I wish to state emphatically that all of the gentlemen concerned, as good commercial men, have endeavored with the utmost patience and skill to secure a lower price, and their persistence has reduced Cuban demands by 15 cents per hundred. The price agreed upon is about $4.60 per 100 pounds, f. o. b. Cuba, or equal to about $6 duty-paid New York.

This compares with:

	Duty paid New York.
The average realization of raws to Sept. 1, 1917	5.66+ .34
The high price of raws in August	7.77—1.77
The price of raws was limited in September	6.90— .90

This price should eventuate to about $7.30 per hundred for refined sugar from the refiners, at seaboard points, or should place sugar in the hands of the consumer at from 8½ to 9 cents per pound, depending upon locality and conditions of trade, or at from 1 to 2 cents below the prices of August last and from one-half to one cent per pound cheaper than to-day.

There is now an elimination of speculation, extortionate profits, and in the refining alone the American people will save over $25,000,000 of the refining charges last year. A part of these savings goes to the Cuban, Hawaiian, Porto Rican, and Louisianian producer and part to the consumer.

Appeals to prejudice against the Food Administration have been made before this committee because the Cuban price is 34 cents above that of 1917. It is said in effect that the Cubans are at our mercy, that we could get sugar 1 cent lower. We made exhaustive study of the cost of producing sugar in Cuba last year, through our own agents in Cuba, and we found it averages $3.39, while many producers are at a higher level. We found that an average profit of at least 1 cent per pound was necessary in order to maintain and stimulate production, or that a minimum price of $4.37 was necessary, and even this would stifle some producers. The price ultimately agreed was 23 cents above these figures, or about one-fifth of a cent per pound to the American consumer and more than this amount has been saved by our reduction in refiners profits.

If we wish to stifle production in Cuba, we could take that course just at the time of all times in our history when we want production for ourselves and the allies. Further than that, the State Department will assure you that such a course would produce disturbances in Cuba and destroy even our present supplies; but beyond all these material reasons is one of human justice. This great country has no right by the might of its position to strangle Cuba. Therefore there is no imposition upon the American public. Charges have been made before this committee that Mr. Rolph endeavored to benefit the California refinery of which he was manager by this 34-cent increase in Cuban price. Mr. Rolph did not fix the price. It does raise the price to the Hawaiian farmer about that amount. It does not raise the profit of the California refinery, because their charge for refining is, like all other refiners, limited to $1.30 per hundred pounds plus the freight differential on the established custom of the trade. Mr. Rolph has not one penny of interest in that refinery. In any event, by the voluntary limitation of the California refinery sugar price to the $7.25 level three months before it came into force on the Atlantic seaboard, in order that we might have a universal price west

of the Ohio, Mr. Rolph has penalized the company of which he was manager over $700,000 under what it might justly have stood out for. That is equal treatment with the Atlantic refineries. He has done distinguished service for the American people.

I submit herewith a statement of our views as to the sugar supplies for ourselves and the allies next year. You will observe that it entails the transport of 250,000 tons of sugar for the allies from Java, if the American public is to have its normal supply. Such transport will diminish our ability to send soldiers to France by 150,000 to 200,000 men. If, however, the American public will diminish their consumption by 10 to 15 per cent or if the Cuban crops are larger than we anticipate, this disaster of transport necessity can be averted.

Total available sugars, 1917–18.

	Tons.
For export:	
Philippines	50,000
United States beet	800,000
Louisiana	250,000
Porto Rico	500,000
Hawaii	475,000
	2,075,000
Cuba crop	3,200,000
British West Indies	300,000
Santo Domingo	150,000
Mauritius	150,000
Peru and Brazil	70,000
Java, required	250,000
Total estimated crops	6,195,000

ESTIMATED REQUIREMENTS OF THE WORLD.

United States	3,700,000
Exports from United States	550,000
	4,250,000
United Kingdom	1,350,000
France	100,000
Canada	320,000
Cuba (local domestic requirements)	100,000
British West Indies	50,000
	1,920,000
Total	6,170,000
United Kingdom	100,000
France	200,000
Neutrals	250,000
Total	550,000

SUPPLEMENTARY ESTIMATED REQUIREMENTS.

United Kingdom		1,350,000
	Tons.	
Cuba	850,000	
Java	200,000	
British West Indies	100,000	
Peru and Brazil	50,000	
Mauritius	150,000	
	1,350,000	

	Tons.	Tons.
France		100,000
Cuba	50,000	
Java	50,000	
	100,000	
Canada		320,000
British West Indies	150,000	
Santo Domingo	100,000	
Cuba	70,000	
	320,000	
United States		3,700,000
Home and colonies	2,075,000	
100 United Kingdom, 200 France, and allies		300,000
Cuba	2,105,000	
Neutrals, etc		250,000
Santo Domingo	50,000	
Peru	20,000	
	4,250,000	
Cuba		100,000
British West Indies		50,000
		6,170,000

Senator JONES. There is one thing that I should like to have you explain, and that is the price of beet sugar in the Rocky Mountain country, where it is largely produced. This 7.25 is the price of beet sugar at the seaboard, I believe.

Mr. HOOVER. Yes, sir.

Senator JONES. I understand that for a long time the price of sugar in Denver, Colo., for instance, has been the seaboard price of sugar plus the freight to at least Missouri River points either from the Atlantic seaboard or from the Pacific seaboard.

Mr. HOOVER. I believe that is the case, is it not?

Mr. MCGINNIS. Freight from San Francisco to Denver.

Senator JONES. It has occurred to some of us that perhaps that was an inequitable situation. There the beet sugar is produced in Colorado, the beets are grown there, the beets are ground there, and the sugar manufactured, and yet the people right at the factory and on the ground pay as much for that sugar as the people on the seaboard, plus the freight from the seaboard to the consumptive port. Do you think that that is an equitable situation?

Mr. HOOVER. It is a condition of the trade that has existed before, and the reverse of that picture is the difficult thing to work out. If the price of sugar were to increase with freight distance from given points it would be a matter of considerable difficulty. The tendency of the beet grower is to sell his sugar at a given point at what he can compete for from other points, and we have not desired to upset the entire custom of the trade.

Senator JONES. In other words, you found this custom prevailing, and you have not had either occasion or opportunity to inquire into the justice of that institution?

Mr. HOOVER. No. It was a condition of distribution, and it has not been our view to upset those things in the infinitesimal fractions that they run into.

Senator JONES. I think I can voice quite a unanimous request from the people of that section of the country that you do take that

in hand in the near future and see if something can not be done regarding it.

Mr. HOOVER. I will have it looked into.

Senator JONES. I am also requested to inquire whether or not anything is in contemplation regarding the supply of labor for the beet fields of that section of the country.

Mr. HOOVER. That problem does not lie with me. It lies with either the Department of Labor or the Department of Agriculture.

Senator JONES. In view of your request, Senator Reed, I believe I will stop right here.

The CHAIRMAN. Mr. Hoover, did you bring over the papers, the press matter, that was asked for?

Mr. HOOVER. They have not come up yet, but I will get them up to you.

The CHAIRMAN. You will send them up to us?

Mr. HOOVER. Yes.

The CHAIRMAN. In connection with this testimony, I desire to put in—I only mention it now for the record—the tables on the prices of sugar as they existed and the prices of flour, and also the English prices as far as I have them in tables.

That will be all, Mr. Hoover. We are very much obliged to you, sir, and will thank you to send us those papers. We will now hear Mr. McGhee, the attorney general of Ohio, on the coal question.

I will say to those who are here in connection with the sugar hearing that we will go on and conclude it. We are breaking in on it now to accommodate the attorney general of Ohio, who comes here on the coal situation.

(The subcommittee thereupon proceeded to hear a witness on the subject of coal, after which it adjourned until to-morrow, Friday, January 4, 1918, at 10.30 o'clock a. m.)

(The following tables, marked "Exhibit No. 169a" and "Exhibit No. 169b," are here printed in full:)

EXHIBIT NO. 169A.

Mr. Hoover came to Washington and first started his propaganda for food control on May 3, 1917. He received a temporary appointment as food dictator on May 19, 1917. He received a permanent appointment as food dictator when the food act finally went into effect on August 10, 1917. The table indicates the rise in price after his propaganda commenced.

Table showing sugar prices of the American Sugar Refining Co., which controls a large part of the sugar business of the United States, for the years 1916 and 1917 by weeks.

[Taken from Willett & Gray's Statistical Sugar Trade Journal.]

	American list.		American list.		American list.		American list.
1917.		1917.		1916.		1916.	
Jan. 4	$6.75	July 5	$7.50	Jan. 6	$5.95	July 6	$7.65
Jan. 11	6.75	July 12	7.50	Jan. 13	5.75	July 13	7.65
Jan. 18	6.75	July 19	7.65	Jan. 20	5.85	July 20	7.65
Jan. 25	6.75	July 26	7.75	Jan. 27	5.85	July 27	7.65
Feb. 1	6.75	Aug. 2	8.15	Feb. 3	6.00	Aug. 3	7.65
Feb. 8	6.75	Aug. 9	8.40	Feb. 10	6.00	Aug. 10	7.25
Feb. 15	7.00	Aug. 16	8.40	Feb. 17	6.10	Aug. 17	7.00
Feb. 21	7.25	Aug. 23	8.40	Feb. 24	6.25	Aug. 24	7.00
Mar. 1	7.00	Aug. 30	8.40	Mar. 2	6.35	Aug. 31	7.00
Mar. 8	7.00	Sept. 6	8.40	Mar. 9	6.50	Sept. 7	6.25
Mar. 15	7.00	Sept. 13	8.40	Mar. 16	6.90	Sept. 14	6.40
Mar. 22	7.00	Sept. 20	8.40	Mar. 23	6.90	Sept. 21	6.75
Mar. 29	7.25	Sept. 27	8.40	Mar. 30	7.00	Sept. 28	6.75
Apr. 4	7.25	Oct. 4	8.35	Apr. 6	7.00	Oct. 5	7.00
Apr. 12	7.50	Oct. 11	8.35	Apr. 13	7.15	Oct. 11	7.15
Apr. 19	7.50	Oct. 18	8.35	Apr. 19	7.25	Oct. 19	7.35
Apr. 26	7.50	Oct. 25	8.35	Apr. 27	7.40	Oct. 26	7.50
May 3	7.50	Nov. 1	8.35	May 4	7.50	Nov. 2	7.50
May 10	7.50	Nov. 8	8.35	May 11	7.65	Nov. 9	7.50
May 17	7.50	Nov. 15	8.35	May 18	7.65	Nov. 16	7.50
May 24	7.50	Nov. 22	8.35	May 25	7.65	Nov. 23	7.50
May 31	7.50	Nov. 28	8.35	June 1	7.65	Nov. 29	7.50
June 7	7.50	Dec. 6	8.35	June 8	7.65	Dec. 7	7.20
June 14	7.50	Dec. 13	[1] 8.15	June 15	7.65	Dec. 14	7.15
June 21	7.50	Dec. 20	8.15	June 22	7.65	Dec. 21	7.05
June 28	7.50	Dec. 27	8.15	June 29	7.65	Dec. 28	6.85

[1] Hoover's agreed price.

Hoover arrived in Washington May 3, 1917.

Appeared before Senate committee advocating food control; started his propaganda claiming there would be shortage of foodstuffs May 7, 1917.

Appeared before House committee claiming that above all we should create in the minds of the people an imaginative alarm about food situation so they would save, May 17.

Received temporary appointment as food dictator from President May 19.

Food control bill introduced in the House June 11, 1917.

Reported in House June 15.

Passed House June 23.

Reported in Senate June 27.

Passed Senate, July 21.

Report of conferees August 8.

Bill finally enacted and Hoover appointed August 10.

International Sugar Committee appointed September 21.

EXHIBIT No. 169B.

In the table which follows, the wholesale price represents, in each case, the mean of the high and the low quotations on the date selected, while the retail price is the simple average of all prices reported for the article and city in question. For convenience of comparison with retail prices, beans and corn meal are here quoted by the pound, wholesale, instead of the customary 100 pounds. Similarly, to facilitate comparison with the wholesale price, flour at retail is priced by the barrel instead of the one-eighth barrel. In this table the wholesale price of fancy patent flour at St. Louis is shown instead of the first patent flour included in the table published in the November issue of the Monthly Review, as this is believed to offer a better comparison with the brand quoted at retail.[1] The initials W. and R. are used to designate wholesale and retail prices, respectively.

[1] Wholesale prices of fancy patent flour at St. Louis for the months shown in the November issue of the Monthly Review and not in the present issue are as follows: September, 1913, $4.300; September, 1914, $5.324; September, 1915, $5.200; September, 1916, $7.300.

Wholesale and retail prices of important food articles in selected cities, October, 1913 to 1916, and January, April, July, August, September, and October, 1917.

[Table taken from the Monthly Review of the Bureau of Labor Statistics, Nov., 1917, p. 91.]

[The initials W—wholesale; R—retail.]

Article and city.	Unit.	October.				1917					
		1913	1914	1915	1916	Jan.	Apr.	July.	Aug.	Sept.	Oct.
Bacon, short clear sides, Chicago.....W..	Lb.	$0.129	$0.137	$0.113	$0.162	$0.158	$0.218	$0.247	$0.261	$0.274	$0.318
Bacon, sliced, Chicago.....R..	Lb.	.327	.334	.314	.329	.316	.395	.439	.429	.476	.475
Beans, medium, choice, New York.....W..	Lb.	.038	.047	.059	.088	.108	.130	.154	.150	.135	.138
Beans, navy, small, white, New York.....R..	Lb.	.....	.....	.087	.119	.149	.162	.188	.189	.185	.185
Beef:											
Fresh, carcass, Chicago...W..	Lb.	.130	.144	.138	.138	.138	.160	.163	.168	.190	.190
Round steak, Chicago....R..	Lb.	.216	.238	.254	.235	.227	.256	.266	.273	.281	.273
Fresh, sides, New York...W..	Lb.	.130	.135	.128	.130	.133	.173	.163	.170	.185	.183
Rib roast, bone in, New York.....R..	Lb.	.216	.222	.226	.231	.238	.270	.279	.286	.298	.298
Butter, creamery, extra, Chicago.....W..	Lb.	.290	.295	.275	.345	.370	.440	.375	.394	.425	.435
Butter, creamery, extra, Chicago.....R..	Lb.	.354	.340	.324	.394	.438	.484	.432	.448	.484	.487
Butter, creamery, extra, New York.....W..	Lb.	.308	.310	.291	.350	.395	.450	.395	.408	.444	.443
Butter, creamery, extra, New York.....R..	Lb.	.375	.372	.339	.408	.460	.513	.453	.470	.507	.515
Butter, creamery, extra, San Francisco.....W..	Lb.	.335	.305	.270	.340	.355	.390	.385	.435	.435	.460
Butter, creamery, extra, San Francisco.....R..	Lb.	.400	.379	.342	.404	.425	.452	.455	.504	.530	.545
Cheese, whole milk, American twins, Chicago.....W..	Lb.	.153	.128	.140	.186	.218	.223	.216	.215	.240	.246
Cheese, full cream, American, Chicago.....R..	Lb.	.....	.....	.230	.277	.321	.327	.339	.342	.344	.368
Cheese, whole milk, State, New York.....W..	Lb.	.161	.145	.148	.208	.220	.245	.238	.229	.244	.255
Cheese, full cream, American, York.....R..	Lb.	.....	.....	.234	.255	.301	.335	.328	.331	.338	.340
Cheese, fancy, California flats, San Francisco.....W..	Lb.	.165	.130	.165	.165	.180	.215	.200	.235	.235	.220
Cheese, full cream, American, San Francisco.....R..	Lb.	.....	.....	.226	.238	.242	.297	.297	.306	.316	.316
Eggs, fresh, firsts, Chicago....W..	Doz.	.255	.220	.253	.308	.485	.305	.310	.323	.385	.370
Eggs, strictly fresh, Chicago...R..	Doz.	.333	.301	.340	.383	.525	.376	.406	.428	.465	.469
Eggs, fresh, firsts, New York.W..	Doz.	.290	.250	.300	.345	.505	.330	.350	.380	.413	.400
Eggs, strictly fresh, New York.....R..	Doz.	.479	.421	.456	.517	.667	.424	.477	.544	.592	.627
Eggs, fresh, extra, pullets', San Francisco.....W..	Doz.	.350	.335	.385	.435	.380	.280	.320	.370	.430	.435
Eggs, strictly fresh, San Francisco.....R..	Doz.	.564	.533	.542	.558	.480	.374	.392	.475	.538	.608
Flour, winter patents, Kansas City .....W..	Bbl.	4.075	5.075	5.050	7.550	8.950	11.450	11.150	12.900	10.700	10.500
Flour, Aristos, Kansas City...R..	Bbl.	5.900	6.534	7.300	9.700	10.600	13.689	13.680	14.320	13.289	13.066
Flour, standard patents, Minneapolis.....W..	Bbl.	4.450	5.750	5.550	8.850	9.450	11.025	12.000	13.200	11.350	10.550
Flour, Pillsbury's Best, Minneapolis.....R..	Bbl.	5.600	7.000	6.400	10.000	10.800	13.200	13.424	14.336	12.208	11.984
Flour, fancy patents, St. Louis. W..	Bbl.	4.150	5.075	5.325	7.600	8.675	11.375	11.375	12.875	10.800	11.250
Flour, Gold Medal, St. Louis. R..	Bbl.	6.200	7.400	6.880	9.667	10.587	12.853	13.200	14.800	13.700	13.100
Ham, smoked, Chicago.....W..	Lb.	.164	.173	.163	.193	.188	.243	.243	.233	.263	.283
Ham, smoked, sliced, Chicago. R..	Lb.	.320	.346	.328	.359	.333	.382	.414	.407	.439	.439
Lamb, dressed, round, Chicago.....W..	Lb.	.135	.135	.155	.170	.200	.220	.260	.230	.280	.270
Lamb, leg of, yearling, Chicago.....R..	Lb.	.198	.204	.204	.223	.232	.263	.287	.288	.320	.314
Lard, prime, contract, New York.....W..	Lb.	.107	.102	.100	.152	.159	.215	.201	.226	.240	.246
Lard, pure, tub, New York...R..	Lb.	.163	.159	.150	.196	.213	.263	.274	.275	.294	.313
Meal, corn, fine, yellow, New York.....W..	Lb.	.016	.019	.017	.021	.027	.031	.040	.052	.050	.049
Meal, corn, New York.....R..	Lb.	.035	.036	.033	.044	.051	.057	.070	.067	.076	.082
Milk, fresh Chicago.....W..	Qt.	.040	.043	.039	.045	.045	.054	.047	.051	.051	074

Wholesale and retail prices of important food articles in selected cities, October, 1913 to 1916, and January, April, July, August, September, and October, 1917—Continued.

Article and city.	Unit.	October.				1917					
		1913	1914	1915	1916	Jan.	Apr.	July.	Aug.	Sept.	Oct.
Milk, fresh, bottled, delivered, Chicago.....R..	Qt.	$0.080	$0.080	$0.080	$0.090	$0.100	$0.100	$0.100	$0.100	$0.100	$0.120
Milk, fresh, New York.....W..	Qt.	.040	.040	.038	.050	.051	.049	.050	.060	.060	.072
Milk, fresh, bottled, delivered, New York.....R..	Qt.	.090	.090	.090	.098	.100	.109	.114	.125	.124	.136
Milk, fresh, San Francisco....W..	Qt.	.039	.039	.038	.038	.038	.038	.043	.043	.058	.059
Milk, fresh, bottled, delivered, San Francisco.....R..	Qt.	.100	.100	.100	.100	.100	.100	.100	.100	.121	.121
Potatoes, white, good to choice, Chicago.....W..	Bu.	.605	.480	.615	1.200	1.750	2.700	2.625	1.600	1.250	1.135
Potatoes, Chicago.....R..	Bu.	1.020	.775	.796	1.640	2.370	3.455	2.975	2.012	1.623	1.154
Poultry, dressed fowls, New York.....W..	Lb.	.185	.195	.220	.230	.220	.265	.248	.240	.258	.255
Poultry, hens, dressed, New York.....R..	Lb.	.218	.223	.220	.259	.261	.298	.287	.288	.316	.323
Rice, head, Honduras, New Orleans.....W..	Lb.	.051	.048	.043	.043	.048	.049	.071	.072	.070	.077
Rice, head, Louisiana, New Orleans.....R..	Lb.	.....	.....	.070	.073	.074	.068	.101	.103	.101	.100
Sugar, granulated, New York.W..	Lb.	.042	.059	.048	.070	.066	.081	.074	.092	.092	.093
Sugar, granulated, New York.R..	Lb.	.049	.066	.054	.074	.074	.087	.084	.090	.092	.097

SHORTAGE OF SUGAR.

FRIDAY, JANUARY 4, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, Jones, Lodge, and Kenyon.

Senator KENYON. I want to put in a couple of letters, Mr. Chairman, on the coal situation in Pennsylvania.

The CHAIRMAN. I do not suppose they ought to go in as evidence.

Senator KENYON. No; I think they can be received as a source of information, not to go into the record.

TESTIMONY OF J. V. KNIGHT.

(The witness was sworn by the chairman.)

The CHAIRMAN. You reside where?

Mr. KNIGHT. In New York.

The CHAIRMAN. What is your present occupation?

Mr. KNIGHT. I am a contributor to the trade and technical press in matters relating to Cuban commercial affairs, and principally with regard to tobacco and sugar; and I compile statistics on Cuban commercial lines, in relation to the agricultural output of the island; and perform kindred service which relates to Cuban commercial interests.

Also now I am undertaking the supervision of an exhibit for the National Foreign Trade Council, which will have to do with the imports and exports of Cuba to and from this country, which, of course, are principally sugar and tobacco.

The CHAIRMAN. The National Foreign Trade Council of what country?

Mr. KNIGHT. Of the United States.

The CHAIRMAN. Prior to this employment that you are now engaged in had you been in the newspaper business principally during your life?

Mr. KNIGHT. Yes, sir; I was one of the editors of the New York Times and have contributed to magazines, newspapers, and trade and technical journals on various matters, but for the last five years I have addressed myself principally, as an avocation originally, to Cuban commercial affairs and now devote my exclusive attention to those matters.

The CHAIRMAN. Without going into details, I will ask you if this employment has led you to study the question of the production of sugar in Cuba, the trade conditions existing, the methods of disposition of the sugar; in other words, whether it has led you to study the question from the point of production to the point of final distribution and sale?

Mr. KNIGHT. I have done so; yes, sir; intensively and, I believe, exhaustively.

The CHAIRMAN. Have you visited the island of Cuba?

Mr. KNIGHT. Frequently.

The CHAIRMAN. Have you been in touch with the sugar situation from the planter's standpoint?

Mr. KNIGHT. I have.

The CHAIRMAN. Mr. Knight, I wish you would tell us in a brief way about the sugar plantations in Cuba and how the sugar is produced, up to the point that it passes through the plantation mill. I ask just a brief account.

Mr. KNIGHT. To understand this basically—and I shall be brief—I would say, first, that the so-called colono system, which is to all intents and purposes a tenant-farmer system, governs throughout Cuba, but principally in the four western Provinces of the Island, which are, going from west to east, Piñar del Rio, Habana, Matanzas, and Santa Clara. These four Provinces produce 60 per cent of the total amount of the raw sugar produced on the island. In the two eastern Provinces, which are Camagüey and Oriente, formerly known as Puerto Principe and Santiago de Cuba, are the high-efficiency mills, which not only grind the cane from the small tenant farmer, but maintain, either through ownership or lease, large areas which are devoted to the raising of so-called administration cane. In the latter category are the two large American corporations—the Cuban-American Sugar Co. and the Cuba Cane Sugar Co., whose figures, I think, you read into the record, as to the prices they received for their raw product during the early part of last year.

In these four western Provinces the colono is generally an ambitious and generally a young farmer, the head of a family, or the son of a man who has raised sugar during his entire life and has survived the exigencies and crises through which the sugar industry has passed since Cuba became a nation. These colonos are, as the Senator from Mississippi will well understand, a great deal like the old tenant farmers in the South—always in debt. That is, they are ambitious to increase the supply and to increase the acreage which they have under control, and they are in the habit of putting, aside from the necessary modicum of the produce from their crop which goes to the maintenance of their families and themselves, the remainder of their accretions into increased acreages which they can cultivate.

They sell their cane to the plantation mill, which has a contract with them, usually over a period of one crop or one zafra, as it is called.

The method of payment or reimbursement, rather, to the colono is in the manufactured raw sugar which is produced from his cane rather than in cash. This is important to bear in mind, because you will note that the burden of receiving actual cash or the medium of

exchange for what he produces does not rest on the person to whom the colono sells his sugar, but on the existence of a market where he can sell what he has produced. In other words, the agency which buys what he has produced does not pay him in the medium of exchange.

The CHAIRMAN. In money?

Mr. KNIGHT. No, sir.

The CHAIRMAN. What do they pay him in?

Mr. KNIGHT. In sugar.

Senator VARDAMAN. Does he lease the land on which he grows his crop?

Mr. KNIGHT. He usually leases it or it is allotted to him.

Senator VARDAMAN. And like some of the tenant farmers of the South, as you suggest—though I would say they are not in debt now as they used to be—he gives a part of the sugar crop for the rent of the land. Is that the way it is done?

Mr. KNIGHT. Yes, or conversely, he receives a part of what he produces for his labor in producing the cane on some one's else land, or in having the cane ground and turned into raw sugar.

The CHAIRMAN. So, that at the end of the cropping period, the amount of it is this, that the man who has raised the sugar—the tenant or the colono, as you call him—has received, instead of money for his crop, a part of the crop produced in the form of sugar, and that represents his year's compensation or production.

Mr. KNIGHT. Precisely.

The CHAIRMAN. You say the financial condition of these colonos is one of being in debt?

Mr. KNIGHT. During the greater portion of the year their economic position is harzardous.

The CHAIRMAN. You mean by that that some one carries them, loans them money, furnishes them with provisions and supplies?

Mr. KNIGHT. Yes.

The CHAIRMAN. And then at the end of the year, when the crop period is concluded, they have their sugar to pay with, or the money they get for their sugar.

Mr. KNIGHT. Yes.

Senator VARDAMAN. What rent do these people pay for the land, or what part of the crop?

Mr. KNIGHT. The colono receives, as a general rule, about 6½ per cent of the total yield of the sugar produced from the cane which he raises. In order to understand that, I would say that the average sucrose content of the cane is 11½ per cent. Therefore, the ratio of what he receives is as 6½ to 5. This is considered good plantation practice. The ratio varies, but it will be found that where the colono has received, due to the mill's desire to realize a record output, more than the 6½ of the 11½, this will be equalized by a downward revision of the contracts which the plantation makes with the colono or through the practice by the plantation of increasing its administration cane; so, that for purposes of consideration, 6½ per cent——

The CHAIRMAN. You do not mean 6½ per cent?

Mr. KNIGHT. No.

Senator JONES. Six and one-half shares of eleven and one-half shares.

Mr. KNIGHT. Yes. That is considered fair practice and may be regarded as typical throughout the western provinces of Cuba.

The CHAIRMAN. If that is typical throughout the four western provinces, what about the others?

Mr. KNIGHT. The two eastern provinces are where most of the high efficiency mills are located, and there the colono system has been superseded to a great degree by the entire administration system through the extension by the great American sugar companies of their own cane.

The CHAIRMAN. You speak of the administration system. Let us get that in plain English.

Senator VARDAMAN. Does that mean that the land is worked by hired labor, that the administration system is owned by the company, and that the cane is produced by day labor?

Mr. KNIGHT. Yes.

Senator VARDAMAN. That is what you mean by the administration system?

Mr. KNIGHT. Yes.

Senator VARDAMAN. As we have it in the United States, in the South, the planter furnishes the land and the teams and the implements of agriculture and feeds the teams and he gets half.

Mr. KNIGHT. The planter pays the overhead.

Senator VARDAMAN. Yes, and under the colono system, as I understand it, the tenant works the cane, the planter furnishes the team for cultivating it?

Mr. KNIGHT. Not in all cases.

Senator VARDAMAN. And the planter gets about 65 per cent of the crop.

Mr. KNIGHT. He gets 6½ shares out of 11½.

Senator VARDAMAN. What per cent is that?

Mr. KNIGHT. The colono gets about 54 per cent.

The CHAIRMAN. And in the eastern provinces where you say the administration system prevails, who principally controls the sugar lands there, who is the proprietor?

Mr. KNIGHT. The proprietor of the mill is also the proprietor of the land.

The CHAIRMAN. Are there great companies there owning mills?

Mr. KNIGHT. There are.

The CHAIRMAN. Do they own large bodies of land?

Mr. KNIGHT. They do.

The CHAIRMAN. Who are these companies, American or Cuban, or both?

Mr. KNIGHT. Mostly American companies, in the eastern part.

The CHAIRMAN. Can you tell us the principal companies?

Mr. KNIGHT. The principal ones, in the order of their importance, I should say are the Cuban-American Sugar Co., and the Cuba Cane Sugar Co.

The CHAIRMAN. Can you give us the production of those companies as you go along?

Mr. KNIGHT. Yes. The Cuban-American Sugar Co. for the fiscal year 1917, which ended on September 30, according to their annual statement which I have here, produced 298,208 tons of raw sugar. in their six principal centrales.

Senator LODGE. They grind chiefly their own cane?

Mr. KNIGHT. Yes.
Senator LODGE. Employ the labor and grind their own cane?
Mr. KNIGHT. Yes.
The CHAIRMAN. Take the next one.
Mr. KNIGHT. The Cuba Cane Sugar Co. produced 452,035 tons in 1916–17, and 484,000 in 1915–16
The CHAIRMAN. Take the next.
Mr. KNIGHT. The United Fruit Co. produced 107,302 tons in 1916–17, and 128,446 in 1915–16. The others are of less consequence. The Cuba Cane Sugar Co. operates a great number of centrales.
The CHAIRMAN. Can you state approximately what proportion of the Cuban crop is controlled by these three great companies?
Mr. KNIGHT. I can not. It constitutes a large economic factor when the marketing of the crop is considered, due to their low costs.
The CHAIRMAN. Will you give us a proportion later?
Mr. KNIGHT. Yes.
The CHAIRMAN. Do the costs of production of sugar in Cuba vary greatly?
Mr. KNIGHT. They do.
The CHAIRMAN. Who produces the cheapest?
Mr. KNIGHT. The two large American companies, the Cuban-American Sugar Co. and the Cuba Cane.
The CHAIRMAN. Is the United Fruit Co. a close second?
Mr. KNIGHT. Undoubtedly. The Central Boston is a high efficiency mill, but it is smaller.
The CHAIRMAN. These three companies have great mills?
Mr. KNIGHT. Yes.
The CHAIRMAN. Do they produce a white granulated sugar?
Mr. KNIGHT. They produce a 96-degree polarization Cuban raw sugar in these mills.
The CHAIRMAN. Outside of these three great companies, how do the costs of production vary?
Mr. KNIGHT. They vary as to the efficiency of the mill, as to the efficiency of the transportation facilities in bringing the cane to the mills, some of which are very primitive in the four western Provinces, the cane being brought in some instances long distances by ox teams, and vary also by the distance from the terminals, and the fertility of the soil, the necessity of replanting it more frequently in the western than in the eastern end of the island—all are contributory factors to higher cost of production.
The CHAIRMAN. Have you some photographs that disclose the methods of transportation and cultivation of the cane in Cuba?
Mr. KNIGHT. I have a large file in New York of such photographs, but I have here two which I regard as typical and possibly will be of interest to the members of the committee. The first is a panoramic view of the Central Delicias, which is considered, with one exception, the highest efficiency sugar mill in the world.
The CHAIRMAN. And it belongs to what company?
Mr. KNIGHT. The Cuban-American Co.
(The photograph referred to was marked "Exhibit 175.")
Mr. KNIGHT. That mill up to this year had a normal production of 600,000 bags a year, and it is expected to grind this season in excess of that amount, because during the past season extensive additions were made to its mechanical equipment. Here is another photograph

of a mill which I have selected, submitted to me by the well-known firm of Underwood & Underwood, which I regard as typical of what you might call the run-of-mine Cuban country mill. You will see a span of oxen in the foreground cultivating the cane in the shadow of the mill, and that seems particularly fortuitous in view of the questions we are considering here.

(The photograph referred to was marked "Exhibit 176.")

The CHAIRMAN. You say that this is typical?

Mr. KNIGHT. I may state that of the 220 sugar mills on the island of Cuba, 211 of which actively ground last season, that mill may be regarded as fairly representative of 50 per cent of the mills on the island.

The CHAIRMAN. The oxen and the man shown in the foreground represent the methods of tillage?

Mr. KNIGHT. They do in the vicinity of an average efficiency typical mill.

The CHAIRMAN. Have you some other photographs? I would like to put them in at this time, if you have?

Mr. KNIGHT. I have here a photograph of the interior of a mill, which is a companion, you might say a twin unit of the Central Delicias, and if anything a better production mill than the Delicias. and this photograph shows some of the involved machinery used in the crushing of the cane and the making of the raw sugar therefrom.

(The photograph referred to was marked "Exhibit 177.")

The CHAIRMAN. I do not think we need print Exhibit 177. It is just an interesting thing.

Mr. KNIGHT. Here is a photograph of some Cuban colonos engaged in what to them is a daily task in cultivating what reaches the market in the form of 60 per cent of the production of Cuban cane sugar.

(The photograph referred to was marked "Exhibit 178.")

The CHAIRMAN. Would you say that photograph Exhibit 178 represents the cultivating and producing of cane outside of the great companies to which you have referred?

Mr. KNIGHT. I can not say accurately, but it is so familiar that I should regard it as typical of that locality.

Senator VARDAMAN. I want to ask you what per cent of that land is owned in small bodies?

Mr. KNIGHT. I can not give you the exact acreage, but 60 per cent of the Cuban crop is produced under the colono system.

Senator VARDAMAN. The colono system does not involve the ownership by the tenant. It is that produced by the tenant renting the land from somebody else.

Mr. KNIGHT. On shares; yes, sir.

The CHAIRMAN. Is very much of that land owned in small farms?

Mr. KNIGHT. There is in the western part of the island, but the plantation mill is the unit, it is the heart of the local system of sugar production throughout the four western Provinces.

Senator JONES. The plantation owner does not own all of the land, does he?

Mr. KNIGHT. He does not.

Senator JONES. What share of the sugar goes to the owner of the land, and what share to the mill for grinding the cane, and what share to the tenant who cultivates the cane?

Mr. KNIGHT. As I said, out of the 11½ per cent, which is the average yield of raw sugar from the cane, the tenant receives 6½ shares and the mill owner retains 5 shares. That is considered good mill practice.

Senator JONES. What about the landowner?

Mr. KNIGHT. The landowner, if he is not the mill owner, is the tenant.

Senator JONES. In other words, you do not have any people who own the land and rent that, but who do not own the mill?

Mr. KNIGHT. If so, the acreage is negligible.

The CHAIRMAN. Generally speaking, then, the mill controls the land?

Mr. KNIGHT. Yes.

The CHAIRMAN. And the mill leases the land to the tenants?

Mr. KNIGHT. Yes.

The CHAIRMAN. As a general proposition?

Mr. KNIGHT. It must. Otherwise the land would be valueless.

The CHAIRMAN. Then the tenant produces the cane and carries it to the mill owner?

Mr. KNIGHT. Yes; at the mill owner's expense.

The CHAIRMAN. And the mill owner proceeds then to extract the sugar?

Mr. KNIGHT. Yes.

The CHAIRMAN. And then the tenant gets his share, which is about 55 per cent?

Mr. KNIGHT. Yes; a little more than six-elevenths of the sugar.

The CHAIRMAN. We have, then, this situation, which I want to understand, and I think perhaps the committee, that the planter, who has been carried all winter by somebody, is left at the end of the season with his sugar. As a general rule, who carries the planter? Is it the mill owner or dealers and traders or money lenders?

Mr. KNIGHT. To an extent that the mill owner needs the planter, the mill owner carries him. As soon as the mill owner repays to the planter his sugar in payment for what he has done during the season, then the planter must either sell his sugar and liquidate his debts, or become a charge upon a banker, as the case may be. There are many money lenders, but few small bankers in Cuba.

The CHAIRMAN. And you say pretty generally these people are in debt?

Mr. KNIGHT. Yes; due to the fact that they are constantly increasing their acreage, which requires borrowing, to increase their efficiency as cultivators of cane.

The CHAIRMAN. You have already stated that the cost of production in different parts of the island varies greatly. Is that occasioned by the fertility of the soil, by the facility with which a market can be reached, or by methods of cultivation, or by all three of those combined?

Mr. KNIGHT. By all three.

The CHAIRMAN. It would appear here from this photograph, Exhibit 178, which you say is typical of 50 per cent of the methods of cultivation, that that is a very primitive method of tilling the soil—a team of oxen with what appears to be a very inferior plow.

Mr. KNIGHT. Yes.

The CHAIRMAN. And when you come to the big mills, are they pretty well up to date on the methods of cultivation?

Mr. KNIGHT. Oxen are used to some extent by the large companies. It is a fact that the soil formation in eastern Cuba is admirably adapted to the cultivation of cane, and that in some places it is 30 feet in depth, and that cane there does not need to be replanted as frequently as it does in the more worked areas of the central and western parts of the island, where cane has been raised for hundreds of years. This increases the expense of tillage, all other factors being equal.

Senator VARDAMAN. Do they fertilize the land?

Mr. KNIGHT. They do; yes.

Senator VARDAMAN. May I ask in that connection, for my own information, this question. You speak of their enlarging their planting area?

Mr. KNIGHT. Yes.

Senator VARDAMAN. What per cent of the sugar-bearing lands of Cuba are in cultivation? Have you any knowledge on that subject?

Mr. KNIGHT. We do not know, because some of the land which to-day is the finest cane land in Cuba, some three years ago was a wilderness. There is much more of that land in eastern Cuba which is undeveloped, and some in the central and western portions. The Cuban Department of Agriculture recently made an investigation along these lines, and in their official report appears a paragraph which I shall read to you, which may spread some little light on that. They say:

> Cuba has about 59 persons to the square mile; Java, 595; Holland, 454; Porto Rico, 330. With all our natural resources this island can easily sustain more inhabitants to the square mile than any of the above-named countries.

It is fair to believe that any land in Cuba which is not mountainous, which is not exposed to excessive erosion during the rainy season, is ideal cane land. That paragraph is from an official publication.

Senator VARDAMAN. It does not give the number of acres, the percentage of acreage susceptible of cultivation, not yet planted?

Mr. KNIGHT. No, sir. If we are to take this crop at 3,500,000 tons, I would state it as a personal opinion that the island itself is capable of producing as high as 10,000,000 tons annually, if all of the land available for cane production should be under cultivation.

The CHAIRMAN. That island, then, in your opinion, is capable of almost supplying the world with sugar?

Mr. KNIGHT. Cuba can be the world's sugar bowl, and is destined eventually to be. There is a paragraph here from the New York Times, which, I think, sets that out. It is from an article appearing in the editorial section of the New York Times of December 2. It says:

> In Cuba alone of all sugar-producing countries there is acreage available, but not yet under cane cultivation, and higher prices for their products * * * are essential to stimulate, etc.

Then further:

> The neutrals of the world are shouting for sugar in vain, and a survey of the world's situation which the writer has concluded in cooperation with European authorities impels the conviction, etc.

Then the conclusion drawn is as follows:

Continued high prices to the sugar producer and the regulation and eventual elimination altogether of the refiner so as to safeguard the consumer comprise the only solution of the problem.

I might state further, as emphasizing Cuba's economic importance at this time, that the area of land which has been utilized for beet-sugar cultivation, both in our own country and in Europe, has constantly been feeling encroachment, due to normal and prewar economic conditions, of the necessity of cultivating grain for human consumption or grain for forage for meat animals. That is an economic condition which has gradually become greater and greater all of the time, so that it is fair to assume that eventually all of the land now utilized for the production of sugar beets must be placed under more productive and more intensive cultivation for either food or forage purposes. At least, such has been the condition in Austria and Germany since the war, and we may well regard that as an economic parallel, although not actual. In Russia, likewise, the necessity for diminution of beet-sugar acreage and the extension of grain acreage has been made very plain. Here we have at our door a country which has available acreage, which has the national spirit to stimulate this acreage into production, and the known fact that a certain essential food commodity can be produced there much more cheaply than in any other part of the globe, and it must be plain, then, as an economic truth, that the greatest importance must attach to any artificial stimulation or repression of the normal progress of sugar production in this particular locality.

The CHAIRMAN. I suppose it may be said that the order which has existed in Cuba since it attained its independence has been one of the causes that has tended to promote an extension of agriculture—in other words, of sugar growing?

Mr. KNIGHT. Yes; particularly during the last five years, during the administration of President Menocal. Gen. Menocal is a technical engineer of high attainments. He is a graduate of Cornell University, and he has addressed himself and the Cuban people have addressed themselves assiduously not only to an increase of their sugar production, but also toward the increase of their foodstuffs which they had been importing in large quantities. However, this year they have temporarily laid aside the question of producing other foods, except sugar, especially since United States Minister Gonzales in a proclamation last April, printed in the English langauge and the Spanish and circulated throughout the island, urged them to increase their sugar cultivation and make great sacrifices to raise a large crop, because he told them that was the best way that Cuba could aid her allies in the war with which she had but recently become connected.

The CHAIRMAN. Was there a generous response to that appeal?

Mr. KNIGHT. A very generous response on the part of every one who had an acre to cultivate or a hand to hold a hoe.

Senator JONES. When you were studying these conditions down there, were you doing it independently or in connection with some organization or for some individual?

Mr. KNIGHT. My last trip to Cuba was in March at a time when we have heard here there was great disorder and destruction and all that sort of thing.

The CHAIRMAN. Has there been any effort to increase the machinery?

Mr. KNIGHT. There has.

The CHAIRMAN. And to increase mills and the capacity of the mills, etc.?

Mr. KNIGHT. Especially this year.

The CHAIRMAN. What has happened this year in respect to that?

Mr. KNIGHT. I wrote in a report which Senator Lodge introduced, and which it is not necessary to repeat, that 5 per cent depreciation was a fair criterion for any sugar mill, because the mills are constantly increasing their mechanical perfection so as to handle more cane. During the year just ended there were imports into Cuba from the United States alone of sugar machinery totaling $11,000,000. This is an increase of $5,000,000 over similar imports in 1916. Likewise this amount, $11,000,000, represents 4½ per cent of the amount the Cuban producers received for their crop last year. As a criterion from customs figures I think this speaks eloquently for the effort of the Cuban plantation owners to increase their production.

The CHAIRMAN. You speak about the increase this year. You say there is a purchase this year of $11,000,000 of machinery?

Mr. KNIGHT. Yes.

The CHAIRMAN. And that that is an increase of $5,000,000 over last year, which would mean that last year they must have invested about $6,000,000?

Mr. KNIGHT. They did; yes.

The CHAIRMAN. How about previous years? I want to get in a word, if I can, a picture that will tell us whether or not the Cuban during the last seven or eight years has been buying large quantities of machinery and constantly improving from that standpoint.

Mr. KNIGHT. He has. He has been turning back practically all his surplus profits into improvements and extensions in a mechanical way.

The CHAIRMAN. Has there been money expended to any considerable extent in the way of internal improvements in the island—that is, good roads, means by which the sugar can be transported to the different ports?

Mr. KNIGHT. That likewise has caused great expenditures. The good-roads system of Cuba has been extended until now there are about 1,500 miles of very fine macadam roads in the island, with an eye single by the Ministry of Public Warks toward the cheapening of the cost of transporting cane to the mills.

The CHAIRMAN. How about railroads? Have there been any railroads to any considerable extent built?

Mr. KNIGHT. There have been many hundreds of miles of railroads, both by large transportation companies and by the sugar companies themselves, which build railroads into the heart of their cane fields, so that they may cheapen the cost of transporting the cane to the mills.

The CHAIRMAN. That is to say, these large companies themselves build branch roads or spurs?

Mr. KNIGHT. Standard-gauge railroads; and they own the rolling stock and everything.

The CHAIRMAN. In other words, taking the thing as a whole, we may say, then, that ever since Cuba attained her independence there has been a rapid improvement in methods of transportation, in the

introduction of improved machinery for manufacturing sugar, and in the extension of sugar lands.

Mr. KNIGHT. Yes.

The CHAIRMAN. All of which has made for a greater production of sugar. What has been the effect on the costs of production?

Mr. KNIGHT. The costs of production up to the time of the outbreak of the European war have steadily decreased, and this decrease I think is borne out in the statistics of the cost of sugar for a large number of years, f. o. b. Cuba. Of course the duty and other factors would be variable, due to changes in legislation, but the cost of raw sugar f. o. b. Cuba for a long period of years back will be found upon analysis up to the time of the war to have decreased in about direct ratio as the facilities of the planters and the things you have just mentioned have been improved.

The CHAIRMAN. What have been the sources of labor supply in the sugar business?

Mr. KNIGHT. Prior to the disturbance of conditions in Europe, they came, first, from the colono himself, who would go out into the fields and work with all of the members of his family who were able to work; secondly, from Spanish laborers, principally from the Province of Galicia, in Spain, called gallegos, who would come into Cuba during the grinding season and then return to Spain. Similar labor came from the Canary Islands, and some from Portugal, from Jamaica and the other West Indies, as well as some from the United States.

The CHAIRMAN. To what extent did that labor that came to Cuba to assist in the work cut a figure? What percentage was that?

Mr. KNIGHT. It varied as climatic conditions made the cane harder or less difficult to harvest, when more labor would be required. I should say that it provided the liquid requirements of labor to keep pace with the increased production. When more labor was needed they turned to Spain, where they speak the same language, and where labor was cheap, and used this labor for the grinding season, and then these men would return to Spain.

The CHAIRMAN. What has happened in regard to the labor since the war?

Mr. KNIGHT. Due to the fact that the merchant marine of Spain is not large, and to the fact that Spain is a neutral, and to the fact that all the neutral exports from Cuba direct go under the Spanish flag, practically, the passenger demand on these Spanish lines has risen to such an extent that it has been found impossible economically to import the gallegos. Then, too, immigration of labor from Spain for such purposes has been curtailed by royal decree of the Spanish Government, so that now, in their extremity, wishing to turn the cane they had planted at the adjuration of their allies into sugar, the Cuban planters, with the cooperation of the transportation systems and the banks, worked out quite an interesting solution of the labor problem. They have been forced to suspend the Cuban laws governing the entrance into the island of Chinese, and have imported thousands of Chinese laborers from China, bringing them through the assistance of the Cuban banks financing these small planters by agreement and cooperation, bringing these Chinese in bond across the Pacific, through the United States or through Mexico, and into Cuba, where they are now engaged in harvesting the

cane, and at the completion of which task they will be returned to their native land. Likewise, the natives of Jamaica, who have had a serio-comic antipathy to the natives of Cuba for many years, have been induced to overcome their hereditary prejudice to some extent and go and work by the side of their more fortunate brethren.

The CHAIRMAN. Returning to the question of the increased production, you have given some reasons for it. I suppose there has been a gradual increased production in Cuba for many years, going way back of the period I have named.

Mr. KNIGHT. There has.

The CHAIRMAN. And you have a plat here which you have laid before me, and which I believe is intended to show the production of Cuba from the year 1853 up to the present time.

Mr. KNIGHT. For 65 years; yes.

The CHAIRMAN. That is a correct exposition, is it, of the production?

Mr. KNIGHT. It is from the available records.

The CHAIRMAN. I will ask the reporter to mark that as an exhibit.

(The chart referred to was marked "Exhibit No. 179.")

The CHAIRMAN. An examination of that chart shows that in 1853 the island only produced 310,000 tons of sugar.

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. In 1860 the production had run up to 447,000 tons.

Mr. KNIGHT. The chart will show.

The CHAIRMAN. In 1870—taking it by 10-year periods—the production had run up to 726,000 tons, and in 1880 it apparently had only gone to 530,000 tons. There was one year in which it went above that.

Mr. KNIGHT. Yes, sir. That was right after the so-called first revolution.

The CHAIRMAN. That was probably caused by revolutionary conditions?

Mr. KNIGHT. It was.

The CHAIRMAN. Then, from 1880 to 1890 the production had increased only to 632,368 tons.

Mr. KNIGHT. The chart will show.

The CHAIRMAN. And that was a period of some disturbance, was it, there?

Mr. KNIGHT. Disturbance and great economic privations.

The CHAIRMAN. In the period from 1890 to 1900 there were two years, 1894 and 1895, when the production ran up to 1,000,000 tons.

Mr. KNIGHT. The chart will show.

The CHAIRMAN. But in 1900 it dropped down to 308,000 tons.

Mr. KNIGHT. During the Spanish War.

The CHAIRMAN. That was the Spanish War period. Then began a rapid increase, so that from 1903 on, with the exception of one year, the production has gone above 1,000,000 tons.

Mr. KNIGHT. Yes, sir; the chart shows it.

The CHAIRMAN. When did the settled period of Cuba come?

Mr. KNIGHT. With the establishment of her own nationalism.

The CHAIRMAN. What year was that?

Mr. KNIGHT. 1900; May 20.

Senator LODGE. 1901, was it not?

Mr. KNIGHT. May 20, 1901.

Senator LODGE. Our troops were there three years.

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. May 20, 1901. Now, I want to call attention to those figures. Beginning with 1901—and I leave off the odd figures—they run as follows: 1901, 635,000 tons; 1902, 850,000 tons; 1903, 819,000 tons; 1904, 1,040,000 tons; 1905, 1,163,000 tons; 1906, 1,198,000 tons; 1907, 1,427,000 tons; showing a steady increase up to that point.

Then we come to 1908, when the sugar dropped to 961,958 tons. What was the cause of that drop?

Mr. KNIGHT. I do not know offhand.

Senator LODGE. Was not that when the disturbance occurred and we sent troops down there again?

Mr. KNIGHT. Oh, during the intervention—certainly.

The CHAIRMAN. During the intervention?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. Then from that point on, without reading these figures in, because they appear in the table, the production of sugar mounted until in 1913 it reached 2,429,240 tons.

Mr. Knight. Yes, sir.

The CHAIRMAN. And there has been an increase ever since, so that in 1916 we got 3,006,274 tons.

Mr. KNIGHT. In that year the production passed the three-million mark; yes.

The CHAIRMAN. 1917, 3,019,936 tons; and I observe that for the 1918 crop you have estimated 3,500,000 long tons.

Mr. KNIGHT. Since I compiled that chart I have received information which leads me to believe that three and a half million long tons should be regarded as minimum.

The CHAIRMAN. As the minimum?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. So that with the exception, now, of the disturbances which have occurred in this island—

Mr. KNIGHT. Both political and economic.

The CHAIRMAN (continuing). Political and economic, it may be said that there has been a steady increase in the sugar production for the past 65 years, and that since Cuba has obtained complete order there has been a very rapid increase in the production of sugar?

Mr. KNIGHT. Precisely.

The CHAIRMAN. And that is going on to-day more rapidly than ever in the history of Cuba?

Mr. KNIGHT. The rise in the production is constantly an increased rise. That is, the ratio of increase is a constantly rising one.

The CHAIRMAN. Now, I want to come for a moment to this question of your estimate of 3,500,000 tons for this year's crop. What are the authorities upon which you base that estimate?

Mr. KNIGHT. There are several statistical authorities which must be cited first, in order to get the picture, as some people state. The accepted statistical authority is Mr. H. A. Himely, of Habana, whose work for the Federal Sugar Refining Co. does not obscure through a single trade outlet his eminent fitness for the task to which he has

addressed himself. In other words, he is beyond being a proprietary authority. His estimate for this year is 3,620,857 tons.

The CHAIRMAN. Does he stay there in the island most of the time?

Mr. KNIGHT. He resides in Habana, but makes frequent trips throughout the island, and has his agents and crop reporters stationed at the proper places.

The CHAIRMAN. How is he regarded as an authority—as the highest or one of the highest?

Mr. KNIGHT. He is regarded as one of the highest authorities, and is the most widely quoted statistical authority on Cuban sugar production.

The CHAIRMAN. What are his figures?

Mr. KNIGHT. Three million six hundred and twenty thousand eight hundred and fifty-seven tons. He adds:

> It is to be hoped that the commissions in the United States charged with fixing the price of sugar, of freights, the terms of shipment and payment, etc., will very soon make known what these conditions will be, so that planters may know what to expect, and may not have their energies dampened in the matter of starting up their factories. Many planters are asking for advances from the banks so as to commence their crops, and business is at a standstill until such time as the conditions for selling and shipping their crops are officially made public. If these conditions are settled in a manner which will not hamper the planters in producing their crops, and given normal conditions of weather, etc., during the harvesting season, we think the chance is fair for the production of the large crop estimated.

Mr. Himely, of course, has his sources of information, which have led him to be recognized as the most widely quoted statistical authority. However, there is corroborative and collateral evidence, but not correlative evidence, to the same conclusion.

The United States Department of Commerce, through its Bureau of Foreign and Domestic Commerce, on December 13 published a report from Consul H. M. Wolcott—that is the American consul—at the port of Nuevitas, in Cuba, in which he sends up to Washington a comparison of the production in the Province of Camaguey of last year with his estimates of this year. He gives the production, which I have verified and checked up, central by central. The production in Camagüey, the one Province, last year was 2,000,301 bags of sugar. Consul Wolcott, in his estimates, as published by the United States Government, says that this year's crop in this Province will be 3,620,000 bags, or an increase of approximately 80 per cent. This is in one Province. If you would care to have it for the record, I have compiled this for the committee.

The CHAIRMAN. The last paper you have handed me is marked "Exhibit 180," and the chart showing comparative production just referred to in the examination is marked "Exhibit 179."

(The two exhibits above referred to are as follows:)

The CHAIRMAN. Now you may proceed.

Mr. KNIGHT. I have heard it stated during your committee's investigation here, from titular but not eminent authorities—Mr. Babst in particular—that it is his opinion that the Cuban sugar crop this year will not exceed 3,200,000 tons. That likewise is the estimate of Willett & Grey, who are conservative and who do not itemize their estimates. Mr. Himely's estimate I can give to you central by central if you so desire. That is, he has consulted with the administradors, as the Cubans say, of each of the 211 centrales in Cuba and has obtained from each administrador the cane outlook, the weather

outlook, the degree of mechanical efficiency existing, and he has tabulated these, central by central, as well as giving a lump figure; and I have these if you would care to have them.

The CHAIRMAN. I do not think we need the detail. It would not help us.

Senator LODGE. No.

Mr. KNIGHT. The only explanation I can offer as to the fixation by a previous witness of the 3,200,000 tons, in the face of the known and admitted evidence available, is that it might be like the old man from Arkansas who said: "There are good times coming, and, gosh! how I dread it!" [Laughter.]

The CHAIRMAN. These great companies that control large quantities of the sugar that you have referred to I presume are furnished with abundant capital, so that they are able to hold their crop if they should desire to do so—their portion of the sugar?

Mr. KNIGHT. Except for one fact, Senator: There are insufficient storage facilities in the island to permit of their holding their crop there, but they could obtain warehouse space at other points and hold the raw crop for a longer period than the smaller concerns.

The CHAIRMAN. Is there space on the island? Is that what you mean?

Mr. KNIGHT. There is not sufficient storage space in the island of Cuba to accommodate more than a small percentage of the crop which is produced. Unless there is a free export from the moment production begins until the crop is completed there is an accumulation, an uncomfortable accumulation, of raw sugars at all of the ports of Cuba as well as in the interior. The crop must be moved.

The CHAIRMAN. Senator Jones, you wanted to ask a question, I believe.

Senator JONES. Yes; I want to ask about the estimate that was brought in here. You have complimented Mr. Himely very highly here on his ability to estimate the sugar crop of Cuba.

Mr. KNIGHT. I did not express any opinion. I just cited matters of fact which are well known in trade circles.

Senator JONES. I will ask you to state how near Mr. Himely's estimate of last year proved to be correct?

Senator LODGE. That is in evidence.

Mr. KNIGHT. It has already been introduced.

Senator LODGE. He reduced his first estimate after the troubles, and his second estimate was exactly right.

Mr. KNIGHT. Within a few thousand tons.

Senator LODGE. A trifle over 3,000,000 tons.

Senator JONES. What was his first estimate?

Mr. KNIGHT. I think it is a part of the record. I have not it available.

Senator LODGE. Yes; I put it in the record.

Mr. KNIGHT. The record will show.

Senator LODGE. Three million four hundred and sixty-six thousand tons. That was before the outbreak and the troubles.

Mr. KNIGHT. Yes, sir.

Senator LODGE. He issued another in May or June, bringing it down 466,000 tons, down to 3,000,000, and it was 3,023,000.

Mr. KNIGHT. Yes, sir.

Senator JONES. Is this Mr. Himely's first estimate of the coming crop, or the second?

Mr. KNIGHT. Mr. Himely, during the period of time he has been making his estimates in Cuba, has only given one estimate a year until last year, when all the other estimators likewise made two estimates—one a preliminary estimate and one a revised estimate, due to circumstances which I would prefer not to discuss except in executive session. However, the Cuban Government made only one estimate last year. That was made in March, and was a fair reflex of the conditions. This estimate was put at 2,850,000 tons, which was a very conservative estimate. The estimate was made at the importunity of the sugar trade, because it was realized all around that the usual reliable sources of information were not to be relied upon at this time, and some estimate was required for the stabilization of the market.

Senator JONES. As to the estimate made for the incoming crop, you say they are importing a large number of Chinese there in order to help harvest the crop?

Mr. KNIGHT. Yes, sir.

Senator JONES. What do you know about their ability to get all of that labor that may be necessary; and may not that interfere with the final result?

Mr. KNIGHT. It would not interfere with the final result unless the rainy season should occur unusually early. It might interfere with the duration of the grinding season. It might prolong the duration of the grinding season.

Senator JONES. His estimates are only estimates after all, are they not?

Mr. KNIGHT. The usual estimates, which are regarded as a forecast of the eventualities.

Senator JONES. You made some reference to Mr. Babst's statement as though that were not worthy of as much credence as some of these others. Did not Mr. Babst himself say that these were only estimates?

Mr. KNIGHT. Yes, sir; and I am citing these figures as estimates.

Senator JONES. Yes; so you do not mean to say there is any certainty as to what the incoming crop of sugar will be, do you?

Mr. KNIGHT. I might fortify my previous answer and answer your question at the same time by stating that when I had requests from various commercial sources in New York for information about three weeks ago as to what the Cuban Government itself thought of the prospects—that is, the departments of the Agricultura and the Presidencia, which are in close touch with production—I cabled to Habana to find out if such an estimate had been made by the Cuban Government. I was informed that such an estimate had been made, and that it was a minimum of three and a half million tons.

Senator JONES. So the official estimate of the Cuban Government varies quite considerably, does it not, from Mr. Himely's?

Mr. KNIGHT. About 3 per cent.

Senator JONES. A quarter of a million tons?

Mr. KNIGHT. No, sir; I said three and a half million.

Senator JONES. Did you not say that his latest estimate was something like 3,600,000 tons?

Mr. KNIGHT. Yes, sir; a variant of about 3 per cent.

Senator JONES. Then you say the Government's estimates are 3,350,000?

Mr. KNIGHT. Three million five hundred thousand—three and a half million, I said.

Senator JONES. Oh, I thought you said 3,350,000.

The CHAIRMAN. Three and a half million as a minimum?

Mr. KNIGHT. Yes, sir.

Senator JONES. That is all.

The CHAIRMAN. The President is coming before the Congress today, and that makes it necessary for us to take a recess until he shall have addressed the Congress. I think, therefore, we will have to take a recess until 2.30. I believe it will be safe for us to say we can meet at that time.

(Thereupon, at 11.55 o'clock a. m., the subcommittee took a recess until 2.30 o'clock p. m.)

AFTERNOON SESSION.

The subcommittee met, pursuant to the taking of the recess, at 2.45 o'clock p. m.

TESTIMONY OF J. V. KNIGHT—Resumed.

The CHAIRMAN. Recurring to a subject that we were discussing a little time before the adjournment, you had told us about the great companies controlling large plantations of sugar, and that they had, as I understood you, generally an abundance of capital, and you had spoken about the storage facilities on the island being insufficient unless the sugar readily found its way outside the island to its market?

Mr. KNIGHT. Yes.

The CHAIRMAN. Now, I wish you would tell us, beginning with the sugar as it leaves the plantation and goes through the mill, how that sugar does reach the market under normal conditions, when there is no interference of any kind.

Mr. KNIGHT. Prior to the induction of the International Sugar Committee the course, broadly speaking, was this: The sugar is bagged and it is transported either on cars over rails owned by the big plantation company, the central, or over the public railway lines of Cuba to the nearest port; or, in the case of the territory tributary to Matanzas, it is floated down in some cases on barges, to effect a saving of transportation rates, down the San Juan River until it reaches the seaboard. Then it is warehoused. I am speaking, I might say parenthetically, of the undisturbed movement of raw sugar to its destination. It is either warehoused awaiting the arrival of bottoms or it is lightered from the cars and immediately loaded. There are what are known as the six principal ports of Cuba, and also what are known in the trade as the outports, and charters have always been negotiated on the basis of certain differentials between the north coast of Cuba and the south coast of Cuba, and sometimes it has been necessary for a vessel to go from one port to another to complete her cargo, or, in certain cases, to go to three ports to complete her cargo, when, of course, the price to be paid for the raw sugar is determined by the New York quotations, and previously by the New York Coffee and Sugar Exchange quotations,

that exchange having been closed by Mr. Hoover during the past summer. The sugar is shipped either to New York or to New Orleans or to a foreign market; before the time of which we are speaking—this last year—to European ports. It is shipped to the purchaser of the raw sugar at any time, where it is refined.

The CHAIRMAN. Now, I want you to stop, as you have gone that far. You have dealt with the lines and means of transportation. and I am obliged to you for that, but what I want to get at is the means by which sugar reaches the market—is it bought up? Are there people in Cuba who buy it up; and if so, who are they and how do they buy it up and how does it leave the factory? Is it held in the factory until there is a large accumulation or do they begin manufacturing the sugar and send it on through as manufactured? That is what I want to know.

Mr. KNIGHT. Generally the arrival of the buyers is almost coincident with the production of the sugar.

The CHAIRMAN. When does that production begin?

Mr. KNIGHT. In previous years it has begun along the latter part of the year or early in January. This year, however—I mean this season—that is, last year, due to favorable weather conditions and the intensive efforts which the Cuban producers had made to get a large crop, the season started about the 16th of November, with the opening of the Central Palma, at Palma Soriano, Oriente. Then at intervals of a few days other centrales resumed operations, almost 30 to 40 days sooner than usual, until now it may be said that the production in Cuba has been going along as it usually does a month hence.

The CHAIRMAN. When this sugar crop begins to reach the sugar factories it is immediately made into sugar?

Mr. KNIGHT. It is.

The CHAIRMAN. And they keep on harvesting the crop for some weeks and grinding it up?

Mr. KNIGHT. Yes; for some months.

The CHAIRMAN. That lasts how many months from the beginning of the harvest until the close?

Mr. KNIGHT. Until along in the latter part of April, although some centrales continue grinding, as weather conditions will permit, until all the cane that is tributary to them is turned into raw sugar or the rainy season interferes. The season has been known to extend through the summer; it is fair to state that the peak of production in Cuba is attained in the months of March, April, and May. It begins generally, we may say, some time in April, and thereafter production gradually decreases, one mill after another closing until the advent of the rainy season in the summer.

The CHAIRMAN. So that, taking it this year, from the 16th day of November on there has been a constant stream of sugar being turned out by the various mills, and that sugar would ordinarily find its way to the ports of the country and find its way to the market about as rapidly as it is produced. Is that the situation?

Mr. KNIGHT. There would always be a market for the sugar as fast as it is produced. There always has been.

The CHAIRMAN. Was the sugar bought by local people on the island or was it bought up by agents of people outside of the island?

Mr. KNIGHT. It was either bought up by agents of people outside of the island or by local people for the account of such agents.

The CHAIRMAN. That is to say, there was always a buyer right on the island to buy sugar?

Mr. KNIGHT. That has been the procedure.

The CHAIRMAN. And as soon as the sugar was produced—we are speaking of normal times—it would be sold and taken to the ports and then sent out of Cuba to this end of the country?

Mr. KNIGHT. To the market; yes, sir.

The CHAIRMAN. Who secured the bottoms, the boats, upon which this sugar would be carried from the ports of Cuba to the United States? Were there regular boat lines or were these boats arranged for by the producers or by the purchasers?

Mr. KNIGHT. By private charters, either arranged for in New York or some in Habana, depending upon the character of the buyer and the amount of his purchase; some through ship brokers; some charters arranged upon account of the mill with some of the larger mills, just like any other normal freight movement of those proportions would be arranged in normal times. During the war there was a curtailment of bottoms and the freight rates increased, but the obtaining of bottoms for the transportation of sugar, while increasingly difficult, was still feasible, and was for last year's crop. Cargo vessels have been coming, I am informed, from Cuban ports to United States ports in ballast since the production started in Cuba this season.

The CHAIRMAN. That is, since the 16th of November?

Mr. KNIGHT. Yes.

The CHAIRMAN. You do not mean to say that that began at that time or that that has been going on and has been the case ever since the 16th day of November?

Mr. KNIGHT. Yes, sir.

Senator JONES. To what extent has that been done?

Mr. KNIGHT. I do not know. I say that I have been informed that ships have been coming in ballast. Certainly not to any very great extent.

Senator JONES. Informed by whom?

Mr. KNIGHT. I can not say, but the statistics of the port officer of New York I think would show. I have reason to believe that vessels have cleared for American ports from Cuban ports in ballast; that is, vessels under charter to bring freight from this country for Cuba have failed to get cargo on the return trip, making it light.

Senator JONES. Why did they fail to get cargo?

Mr. KNIGHT. I do not know. I presume that perhaps arrangements would have to be made through a different source than the usual practice in chartering cargo in so far as the outturn for this season's sugar in Cuba is concerned.

Senator JONES. Do you mean to leave the impression here that while sugar was in Cuba seeking bottoms for the United States, there were bottoms coming here in ballast?

Mr. KNIGHT. Just a moment and I can give you the statistics on that. I had a Willett & Gray Weekly showing the stock available.

(The question was repeated by the stenographer.)

Mr. KNIGHT. I would not say, Senator, that there was sugar seeking bottoms, because, as I understand the situation, negotiations

must now be conducted for bottoms through a subsidiary of the International Sugar Committee. I do know, however, that for some time past there has been an accumulation of Cuban raws at some of the Cuban ports, which are ready for shipment and available for shipment, of this year's crop.

Senator JONES. Do you think this comes from the fact that Cuba has placed an embargo upon the shipment of sugar until some agreement could be reached?

Mr. KNIGHT. The record I think shows that any embargo operative after the meeting between the International Sugar Committee and the Cuban sugar commission automatically terminated in so far as the export of Cuban raws related to the United States or its allies. I think an embargo still holds good toward Mexico and some other neutrals.

Senator JONES. You do not understand that this arrangement has been concluded, do you?

Mr. KNIGHT. No, sir.

Senator JONES. Then why was the embargo raised pending negotiation?

Mr. KNIGHT. So far as I know the matter of the embargo is what we might call a psychological embargo.

Senator JONES. Do you mean to say that the Cuban Government never entered a legal embargo against the exportation of sugar?

Mr. KNIGHT. At one time it did so, I understand, to reassure the colonos——

Senator JONES. When was that?

The CHAIRMAN. Let him answer that, please.

Senator JONES. Certainly.

Mr. KNIGHT. At one time when the smaller colonos were panic stricken, fearing that certain publications which they had understood as emanating from Washington were read, some salutary and reassuring measure was necessary to prevent them from falling a prey to money lenders who were eager to buy their cane standing in the fields at a depreciated price, and, as I understand it, a Government embargo, which was theoretical rather than actual, because no sugar had at that time been produced, was decreed so as to give a guaranty to the smaller colono that in time he would be able to sell his sugar at a price that would reimburse him rather than throwing him upon the mercy of the money lenders.

Senator JONES. That was the reason for that?

Mr. KNIGHT. Yes.

Senator JONES. Now, what were the terms of it?

Mr. KNIGHT. I do not know, indeed, as to its extension to-day.

Senator JONES. You do not know whether it is in force to-day or not?

Mr. KNIGHT. So far as I can understand, I think that the Cuban producer who has sugar which has left the mill and is sacked and is ready for shipment to the United States, can ship it to the United States if he so desires without any interference from the Cuban Government.

Senator JONES. Then, why are they not doing it?

Mr. KNIGHT. I understand that they can not arrange for bottoms with the subsidiary of the International Sugar Committee, which

has those matters in charge, and which has decreed the freight rates which shall govern.

Senator JONES. Do you understand that this arrangement has been concluded as to the price of sugar?

Mr. KNIGHT. I only know as to that what I read in the newspapers.

Senator JONES. Do you know of any attempt to interfere with the consummation of that contract?

Mr. KNIGHT. I do not. I know of attempts, I do not think that they could be regarded as interference. In fact, they are attempts at the liberation from interference of some of the Cuban producers to get legitimate markets for their raw sugars, so that the fabricated sugars and fine sugars may get to the consumers, rather than that the raws may remain on the island, where they are at present and a practically unavailable supply.

Senator JONES. Do you expect the sugars to move this year under that agreement that we have heard so much about in this investigation?

Mr. KNIGHT. Possibly not; although in normal times, which my previous statements have borne out. the sugars would undoubtedly have found a market ere this. In short, if a theory exists, based upon previous production and distribution, that Cuban sugar should move from Cuba at such a time and a course of procedure is laid out along this theory, which brings the beginning of the movement at a certain time. and as a matter of fact the Cuban production is speeded up and intensified and enlarged so that there is raw sugar 60 days ahead of the time that theory would decree that raw sugar should be there, then, of course, there will be some embarrassment. That is the situation which exists to-day.

Senator JONES. I do not believe that I made myself clear. Do you think that the people there are waiting for the consummation of this arrangement with the International Sugar Committee before moving their sugars?

Mr. KNIGHT. Undoubtedly they will have to await that.

Senator JONES. I was asking you what your view about it was.

Mr. KNIGHT. I suppose those who can market sugar at a price under the price and arrangement fixed by the International Sugar Committee are cheerfully waiting. I assume that those who can not market their sugar at a profit are waiting less patiently.

Senator JONES. It is your expectation, then, that this agreement will be consummated?

The CHAIRMAN. You mean the $4.60 agreement?

Senator JONES. Yes; the $4.60 agreement.

The CHAIRMAN. You mean to say it has not been consummated? Do I understand that that is the position?

Senator JONES. I understand it has not been fully consummated.

Mr. KNIGHT. There is a statement in the record of the investigation here, which was issued by the International Sugar Committee, showing that it had been consummated in the main. and that a few minor details alone were to be worked out.

Senator JONES. It is not actually closed up. There has been an agreement on the $4.60 price?

Mr. KNIGHT. Yes.

Senator JONES. When it is consummated it is your expectation that the Cuban sugars then will move freely under that arrangement?

Mr. KNIGHT. When that time arrives; yes, sir.

Senator VARDAMAN. Is it not a matter of fact that Mr. Hoover requested that no sugar be bought except under such arrangements as might be made?

Mr. KNIGHT. That is true, Senator, applying to the negligible quantity of last year's crop. And I might say, parenthetically, that coincidental with his private correspondence from the International Sugar Committee to sugar buyers, asking them not to go into the Cuban market because there was little Cuban sugar there, a story appeared in the public press accusing the Cuban producers of hoarding their sugar.

The CHAIRMAN. I am really leading up to this very subject matter. I do not want to suggest that anybody cease, except that I did want to get this in sort of an order of testimony.

Senator JONES. I was through with my questions.

The CHAIRMAN. Going back to the point where we were when Senator Jones began interrogating you about these matters we have just gone over, I want to follow the sugar. It has gone through the mill, the colono or the producer has his sugar, and the mill has its sugar, and I was inquiring whether, under normal and ordinary circumstances, there were people there to buy the sugar, and you stated there were either brokers or agents there outside of the island, or there were people within the island, who bought the sugar and bought it promptly as it was offered to the towns?

Mr. KNIGHT. That is true.

The CHAIRMAN. I think I can say that that traces the matter up to the point ordinarily of the sale of the sugar, and we have already dealt with the question of the boats to carry it away.

Mr. KNIGHT. In so far as the producer is concerned.

The CHAIRMAN. So that under the old conditions the planter brought his cane to the mill, the mill ground it, the planter got his sugar, the mill got its sugar, and these sugars reached a port, and they were purchased either there or before they got there by the agents of the great sugar refiners of the United States for this country?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. And those that went into other countries were purchased by whom?

Mr. KNIGHT. I can not specify, but they were purchased for the account of foreign refiners.

The CHAIRMAN. Was there any other substantial market for Cuban sugars in the United States except that which they obtained through the great refiners of the country?

Mr. KNIGHT. There was not.

The CHAIRMAN. They took substantially all of the sugars that came to the American market?

Mr. KNIGHT. Substantially all.

The CHAIRMAN. What now has happened, if anything, this last year, to change the normal and usual conditions of handling the sugar crop of Cuba?

Mr. KNIGHT. In the first place, the Cuban sugars, as produced, were sold subject to quotations as determined in the markets. These quotations were variable, but the market was assured. Those smaller factors and producers who were borrowers or were in stress to have their crops marketed at an early date, of course liquidated as speedily as possible. Those who were in better financial position who might care to anticipate a rising market sometimes did not move their sugars to the buyers so rapidly. But, at any rate, there was a continued movement in accordance with economic laws from the time production began until it closed.

The CHAIRMAN. Where was that price fixed?

Mr. KNIGHT. Through quotations in the New York Sugar and Coffee Exchange.

The CHAIRMAN. Were there any disturbing features that entered into the sugar situation in Cuba during the last year? I want you to begin at the earliest disturbing features there were and tell me whether there were riots or not. I do not want the details, I just want to know the facts, giving the dates as nearly as you can.

Mr. KNIGHT. There was a political disturbance in Cuba in February and March last, which of course did not affect the present crop, because the present crop at that time was not planted or was not laid out.

The CHAIRMAN. But it would affect the crop that is completed and marketed?

Mr. KNIGHT. Yes, sir.

Senator JONES. Do you mean to say that did not affect the present crop?

Mr. KNIGHT. The crop that is now reaching the market.

Senator JONES. Do you mean to say that?

Mr. KNIGHT. I do.

Senator JONES. How long does it take to grow a crop in Cuba?

Mr. KNIGHT. You must understand there is not a replanting every year.

Senator JONES. But there is a growing, is there not?

Mr. KNIGHT. Oh, yes.

Senator JONES. Do you have to pay any attention to it in the way of cultivation?

Mr. KNIGHT. Yes, sir.

Senator JONES. Would not these disturbances have affected the crop, then, to some extent?

Mr. KNIGHT. No, sir. The present crop was not then laid out. The past crop had not then been harvested. It did affect the crop which reached its close last year, but not the crop which is now being harvested.

The CHAIRMAN. When did those disturbances occur?

Mr. KNIGHT. In February and the early part of March.

The CHAIRMAN. Nineteen hundred and seventeen?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. And they lasted about how long?

Mr. KNIGHT. Not more than 60 days, according to a bulletin of the American Sugar Refining Co., which I have here. I will read it

briefly. This is on page 16 of the pamphlet entitled "Conditions in the sugar market":

On February 13 the first serious reports were received in New York of an uprising in Cuba by the Liberal Party on the eve of new elections which had been ordered in the Provinces of Santa Clara, Oriente, and Camagüey. These reports were quickly followed by alarming rumors. It was stated that Camagüey City and Santiago City had been captured by the rebels, and the Provinces of Santa Clara, Camagüey, and Oriente were under control of rebel leaders.

For a period of approximately two months rumors of extensive destruction of cane by fire in the island were circulated, although subsequent reports indicated that many of the earlier statements had been exaggerated.

That is about all of that. Then there are some details as to railroads, etc.

Beginning with the latter part of March, the situation gradually improved and many centrales which had been temporarily forced to suspend operations resumed grinding.

The CHAIRMAN. They were grinding on the crop that grew during the summer and fall of 1916?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. That they began harvesting in the fall of 1916, and continued to harvest and grind up to the period of these disturbances which occurred in February?

Mr. KNIGHT. Yes, sir. Most of the mills, I may state, even some of the mills which were reported as having been destroyed in disturbances, went right on grinding. Not a mill was destroyed, and many of the mills which were reported as having been destroyed in reports spread by various prointerventionist agencies in New York and Washington, in reality were grinding all the time.

Senator VARDAMAN. When do they plow the cane?

Mr. KNIGHT. Right at the end of the rainy season.

Senator VARDAMAN. What month?

Mr. KNIGHT. Last year, I should say, in July and August, if conditions would permit.

Senator VARDAMAN. The cane they plow in July and August is ready for harvesting at what time?

Mr. KNIGHT. This season as early as November, but later portions of the crop will be coming in until April and possibly May of this year.

Senator VARDAMAN. They finish cutting the cane about what time?

Mr. KNIGHT. As weather conditions permit, depending on the end of the rainy season. There is some cane which stands from season to season, although it is generally harvested in the following season, its sucrose content being slightly diminished through the fact that it has stood in the field.

Senator VARDAMAN. Do you finish cutting the cane by December usually, the middle of December?

Mr. KNIGHT. Not in Cuba; no, sir. Cutting proceeds right through the spring.

Senator VARDAMAN. Right through the spring?

Mr. KNIGHT. Yes, sir. It is easier to let cane stand in the field until it is ready for use by the mills than it is to cut and assemble it at any one place and risk the depreciation through storage.

Senator VARDAMAN. They finish the grinding of the crop generally in the early summer, do they not?

Mr. KNIGHT. Yes, sir.

Senator LODGE. Is the sugar in Cuba now ready to be imported into this country?

Mr. KNIGHT. Yes, sir. Mr. Himely's review of December 26 reports that there is a stock on hand in Cuba now of approximately 29,000 tons, as compared with 17,000 tons a year ago.

Senator VARDAMAN. Is that all new crop?

Mr. KNIGHT. Yes, sir. The paragraph introducing this says:

Gratifying progress is being made in Cuba, as is shown by the following figures from Mr. Himely.

That means progress with the production, not with the marketing.

The CHAIRMAN. I wish we could proceed with this, and I will just get through this little part.

Senator VARDAMAN. All right. We will give you the right of way.

The CHAIRMAN. I am not criticizing. I think we will get a little better understanding if we get this point in, and then it can be picked to pieces if it ought to be and illuminated in every way. We had as a disturbing element this last year the political differences there which ended, as you have stated——

Mr. KNIGHT. In March.

The CHAIRMAN. I want to ask if those disturbances, in your judgment, affected the sugar prices any?

Mr. KNIGHT. They undoubtedly did.

The CHAIRMAN. I observe that the prices in January, 1916, were 5.95, and in January, 1917, were 6.75. Speaking very broadly, the same rate of difference seems to have run through those two years until we get to the month of March, 1917, or approaching it, when the price of sugar of 1916 and the price of sugar of 1917 are the same—$7. Then, in April, the price is slightly higher in 1917 than in 1916, but only 25 cents, and it runs along very much the same throughout the month of April and into the month of May, the price of 1917 being a little higher than the price of 1916.

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. Those figures would seem to indicate, then, would they not, that whatever disturbance had come from the political matter was fully over——

Mr. KNIGHT. It was.

The CHAIRMAN (continuing). On March 30, when the price of sugar for 1917 and the price of sugar for 1916 were exactly the same——

Mr. KNIGHT. The alarming rumors had always been discounted as soon as it was seen that, in spite of the rumored destruction of mills and everything, the sugar was still coming to the market. It was materializing, at any rate.

The CHAIRMAN. After these political disturbances were over, was there anything else that arose to affect the normal conditions of the Cuban market?

Mr. KNIGHT. There was an economic and patriotic situation brought about through Cuba's declaration of war, on April 7 last, against Germany. There seemed to be great unanimity of opinion among the well-to-do class of Cubans that some concrete alliance and cooperation should be made by Cuba toward her allies in the war. Some favored the equipment of a large army, which would be sent

to the battle lines in France. Others favored the training of aviation units, and still others favored the raising of a large amount of money for the Red Cross; and in their dilemma as to the proper course of procedure to follow as a nation, although these representations and requests came unofficially, the United States minister in Cuba was asked informally as to the best thing that Cuba could do to "do her bit" in the war, and the minister replied that the best thing she could possibly do and the greatest service she could perform to her allies would be to raise the largest crop of sugar possible. This was embodied later in the form of a proclamation, which was translated into Spanish and circulated, as such pronunciamentos usually are in Latin America, very widely throughout the island.

The CHAIRMAN. Do you happen to have that proclamation?

Mr. KNIGHT. I have not. I think the Latin-American Division of the State Department has it. I have it in my files in New York. The proclamation was hailed on every side with great satisfaction. It meant that Cuba's natural advantages could be linked with her aims of nationalism, and the two combined could perform a great service for the allies. So there was more than mere economics in the fact that this great crop was produced. There was an element of patriotism which entered into it, and credits were relaxed when such credits meant the production of sugar, just as in our country we find credits relaxed toward the purchase of Liberty Bonds and various things. This, then, appeared to be Cuba's patriotic as well as economic action.

Senator JONES. She was doing this at cost, I suppose?

Mr. KNIGHT. No more so than previously, and without regard to any war profits at all. In fact, I think that the whole idea, as enunciated promptly down there, has been that if there was any profit at all it should be a subnormal profit rather than a prewar profit. That would be, of course, less. Of course, in raising the great crop of sugar, which it now appears will soon be harvested, a great many hardships were undertaken by these Cuban producers. It was well known to them—and I am mentioning this merely to show how patriotic they were in overcoming these obstacles—it was well known to them, for instance, that the prices of all material entering into the production of sugar had increased from 50 to 100 per cent; that labor was bound to increase and be scarce; that transportation rates had increased both internally and from the ports to the United States and other consuming nations. So, therefore, they surmounted all these difficulties, and the whole country was wrapped up in the production of a record bumper crop of sugar for this season, an aim which they have accomplished.

The CHAIRMAN. You have spoken about the thing that interfered to encourage production.

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. And that production, of course, you are now speaking of, is the production of the crop now beginning to be harvested?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. What, if anything, transpired to interfere with sugar prices at any time during the summer?

Mr. KNIGHT. On August 25, when it well may be said that the Cuban producers were "over the top" as far as the weather conditions and everything were concerned, they were sure of an even

break with this big crop, and an announcement was made by Mr. Hoover, through the public information division of the Food Administration, that a majority of the refiners of American beet sugar had signed a voluntary pledge to be governed by the administration, and then the hope was expressed in this public information document, which obtained wide circulation, that through the same medium the minority might be brought into line, and that steps were being undertaken to further concern itself with the production of sugar.

The CHAIRMAN. That was at what date?

Mr. KNIGHT. August 25. Previously, on August 16, the Food Administrator had closed the New York sugar and coffee exchange to trading in futures.

The CHAIRMAN. How had that exchange been used theretofore in the matter of futures? What effect did that have on the market?

Mr. KNIGHT. Some of the more prosperous Cuban producers, if they anticipated a rise in prices for the actual crop which they had, would protect themselves through short transactions on the sugar exchange, which was only another form of insurance against loss, and conversely, those who sold their sugar immediately and anticipated possibly a rise in the price of their commodity, but preferred to get it to the market, would insure themselves against loss by buying operations upon the sugar exchange. And, as well, this tended sometimes to stabilize the movement of sugar from the producer to the consumer, raw sugar from the producer to the refiner, I will say.

The CHAIRMAN. When the exchange was closed, what effect did that have?

Mr. KNIGHT. The closing prices of that day were the maximum prices decreed thenceforth for any commitments, pending further action by the United States Food Administration.

The CHAIRMAN. Who made that regulation?

Mr. KNIGHT. The Food Administrator, I think; the board of governors, I will say, of the sugar exchange. It was one of these voluntary actions of which we have heard so much. I think I am right in saying that.

The CHAIRMAN. I want to call your attention to sugar prices prior to that time. I am quoting from the list of prices of the American Sugar Refining Co. On April 4 the price of sugar was 7.25. It had reached that point once in February.

Mr. KNIGHT. Pardon me, Senator. Are those c. and f. or duty paid?

The CHAIRMAN. These are duty paid.

Mr. KNIGHT. Refined?

The CHAIRMAN. Yes; this is the refined price in this country. I take it that the wholesale refined price in this country will furnish us a general basis.

Senator VARDAMAN. There is a difference between the wholesale price of Cuban sugar, cane sugars, and those of beet sugar.

The CHAIRMAN. Beet sugar was not then, I think, in the market. Let me again state my question. The prices of sugar for 1917 began in the month of January at 6.75, fixed by the American Sugar Refining Co. I am speaking of the prices in this country of refined sugar.

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. On February 15 they went to $7, and with one exception stayed at $7 until March 22. On March 29, which is the

next date I have, they had gone to $7.25. On April 12 they went to $7.50, and they stayed at $7.50 until July 12, 1917. You have spoken about the proposition of Mr. Hoover to have the sugar refiners enter into this agreement touching the purchases of sugar. When was that?

Mr. KNIGHT. What was that?

The CHAIRMAN. When was this that Mr. Hoover made this arrangement?

Mr. KNIGHT. To close the sugar exchange?

The CHAIRMAN. Yes.

Mr. KNIGHT. August 16.

The CHAIRMAN. Before Mr. Hoover had made the arrangement of August 16, was it known in the sugar trade that an arrangement of that kind was pending and had been pending for some 30 days?

Mr. KNIGHT. I recall published allusions to it, yes; in the New York sugar trade.

The CHAIRMAN. That is, it was known among the sugar trade for some 30 days before August 16 that there were some questions going on about the fixing of the price of sugar?

Mr. KNIGHT. They thought they were coming next.

The CHAIRMAN. Who thought they were coming next?

Mr. KNIGHT. The sugar interests. They thought they were going to be the next to get it. That is about the impression.

Senator JONES. What do you mean by "get it"?

Mr. KNIGHT. Getting regulation, price regulation.

The CHAIRMAN. When did that opinion get abroad?

Mr. KNIGHT. The opinion——

The CHAIRMAN. That there was going to be an arbitrary interference with the usual course of trade—and when I say "arbitrary." I do not use it in any bad sense; I mean a positive interference.

Mr. KNIGHT. I think it became generally known to the public—that is, the consuming public—about the 26th of August, when the public information division of the United States Food Administration issued one of its bulletins.

The CHAIRMAN. I call your attention to the fact that Mr. Hoover was appointed food controller on May 19; that the food-control bill was introduced in the House on June 11, and that it passed the House on June 23, and it finally passed the Senate on July 21. I am calling your attention to dates, and I might ask you whether this agitation about food control had any effect upon prices, from your observation?

Mr. KNIGHT. I can not speak technically upon that, but I can speak generally. Of course, the whole proposed domestic excise tax, the repeal of the customs drawback, and various other measures of proposed legislation, as well as the impending action of the Food Administration, had a considerable effect upon the sugar in Cuba. I paid particular attention to the Cuban situation, rather than the American situation.

The CHAIRMAN. Do you remember whether or not Mr. Hoover's statements made before the Committee on Agriculture of the Senate, and some committee of the House, touching a probable shortage of sugar, had been published prior to that?

Mr. KNIGHT. They had.

The CHAIRMAN. I want to call your attention to the list of prices which I have here, and which are compiled accurately from the Willett & Gray's prices quoted for the American Sugar Refining Co. I will thank you if you will look at this. Beginning where I was talking about, July 12 the price went to 7.50, then it jumped to 7.65 on July 19, and on July 26 to 7.75, and then, during the week from July 26 to August 2, it jumped to 8.15, and then went as high as 8.40, clear up into the month of September.

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. Can you tell us what cause or causes brought about those sugar prices, or contributed to them?

Mr. KNIGHT. Contributed, I should think, because there are undoubtedly contributory causes in regard to western beet sugar about which I know nothing. There was a demand for the raw sugar remaining on the market, and as the raw sugar in Cuba was sold and the quantity unsold became less and the visible supply became less, of course the offerings for it increased, and because persons who were active in the market, we might say, took on commitments to safeguard themselves against any possible shortage later on which might follow as a result of what you termed the arbitrary interference or control.

I surmise that to be their interest and motive in interesting themselves in the big demand; although I can not be positive that would be the inference.

Senator JONES. How could they do that if the sugar did not exist? They could buy what existed to protect themselves, but how could they buy that which did not exist?

Mr. KNIGHT. They were buying that for future delivery, and, of course, the next crop was then being produced.

Senator JONES. The next cane-sugar crop?

Mr. KNIGHT. Yes. This was in August and September we are speaking of.

Senator JONES. Providing for future delivery—how far in the future?

Mr. A. H. LAMBORN. For the following July and August.

Mr. KNIGHT. Practically a year in advance?

Mr. A. H. LAMBORN. Exactly a year in advance.

The CHAIRMAN. Did this agitation of a visible sugar shortage have any effect on the sugar trade in stimulating competition, with the result of higher prices?

Mr. KNIGHT. Undoubtedly. Do you care to have me amplify that?

The CHAIRMAN. Yes.

Mr. KNIGHT. There were buyers, of course, representing vari interests which were acting independently. Each wanted to s guard himself against what he feared would be a shortage in su and naturally they were bidding against each other, and the qu tions for the sugar at that time were higher than the quotations be the Food Administration had interested itself in making this nouncement.

Senator JONES. Let me ask you this: Were the refiners of United States at that time buying futures on the New York change?

Mr. KNIGHT. I do not know. There was, up to the time the su exchange was closed, great activity on the sugar market.

Senator JONES. I know, but by whom?

Mr. KNIGHT. I do not know the identity of the traders. I assume the brokers keep those things confidential.

Senator JONES. What I am getting at is whether the real and substantial sugar trade was doing this, or whether it was a bunch of speculators up there who were gambling in futures or not?

Mr. KNIGHT. I do not know whether they were speculators or not, but whoever they were, whatever they were doing was regulating the market for the sugar trade.

Senator JONES. Well, now, with this expectation of sugar regulation coming on, only a small crop of sugar remaining——

Mr. KNIGHT. A small amount.

Senator JONES. A small portion, I mean, of the crop remaining, do you believe that sugar refiners, those who dealt with the actual raw sugars of Cuba, were buying sugar on that exchange for delivery during this present season?

Mr. KNIGHT. I can not say as to that who were.

Senator JONES. I would like to get the trend of your mind. Do you think the closing of the New York Sugar Exchange we are talking about was a bad thing at the time it was done?

Mr. KNIGHT. Of course, as to that no one of us can tell, Senator, because those things materialize annually, rather than daily or weekly or monthly.

Senator JONES. I was gathering the impression that you were of the opinion that it was a bad thing.

Mr. KNIGHT. The best opinion among the sugar producers which so far has found currency upon this matter was, I think, voiced in the standard technical sugar trade journal called El Mundo Azucarero, in its September issue, and it discussed the sugar exchange and the probable effect upon the sugar situation its closing would have.

Senator JONES. You mean so far as the Cuban situation was concerned?

Mr. KNIGHT. No; so far as the production was concerned.

Senator JONES. You mean in Cuba?

Mr. KNIGHT. We must naturally think of Cuba; it being the largest factor in sugar production in the world, we must think of it that way. This is published in the United States, I may add.

Senator JONES. Oh, it is?

Mr. KNIGHT. It is an American publication. I will quote from a translation of what is published in Spanish.

Senator JONES. It is published in Spanish, is it?

Mr. KNIGHT. Yes. I will quote from this editorial. It is headed "El Mercado Azucarero—The Sugar Market." It then goes on to discuss the production, and so forth, and then proceeding to the closing of the sugar exchange, says:

> The closing of the New York Sugar Exchange was recently effected after a brilliant success attained in seven years' experience. These sugar speculators were always redeeming the market when prices were low—

That is, as we say, strengthening the market—

> and disposing of their profits when the price went up, and disposing of their purchases when the price was sufficiently raised. This combination made of the sugar exchange the dominating instrument in the sugar industry—an instrument which destroyed the plans of a New York clique who are opposed to

the exchange, the same in New York as in New Orleans. They have had success in their opposition, which has been effective in closing the institution for the present. * * * The Republic of Cuba, although it is not subject to the food laws, will be one of the countries suffering most from the closing of the New York Sugar Exchange.

Senator JONES. Now, I suppose you read that because you approve it, do you not?

Mr. KNIGHT. I am reading it merely as a vehicle of bringing to you the expression of the best thought among the cane-sugar producers.

Senator JONES. You believe that that is the view they have taken of it, do you?

Mr. KNIGHT. It shows the view of the sugar producers.

Senator JONES. You are here as an expert, as I understand.

Mr. KNIGHT. I do not so understand.

Senator JONES. Then I do not see why your opinion should be asked about those things.

Mr. KNIGHT. I have been trying to cite matters of record rather than of individual opinion, and I think, if you will examine the record, you will find that I have cited facts or statistics or matters which are of known record rather than my personal opinion in this matter. I am citing these facts.

Senator JONES. Now, you were giving it as your opinion, were you not, or trying to leave it as your impression, that the closing of that exchange was a bad thing?

Mr. KNIGHT. I am reading from——

Senator JONES. I mean in your previous testimony here?

Mr. KNIGHT. I was merely reciting what happened. There can be no opinion as to what happened—no diversity of opinion.

Senator JONES. Not as to whether the exchange closed or not?

Mr. KNIGHT. No, sir.

Senator JONES. But were you not citing that as one of the disturbing things in the market and as a bad thing for the market?

Mr. KNIGHT. An examination of my statement will reveal no such thing.

Senator JONES. In other words, you do not mean to leave that impression, then, that the closing of the exchange was a bad thing?

Mr. KNIGHT. I can not pass an opinion on it.

Senator JONES. You can not?

Mr. KNIGHT. Not a personal opinion.

Senator JONES. Very well, then.

Mr. KNIGHT. I can merely cite opinions which are of more value than mine.

Senator JONES. Then you are not citing your opinion rather than anbody else's?

Mr. KNIGHT. I was reading from a publication which is very widely circulated.

Senator JONES. But I am not speaking of that.

Mr. KNIGHT. Yes.

Senator JONES. I did not ask you what somebody else said about it.

The CHAIRMAN. I did.

Senator JONES. Go ahead, then, if you want to draw it out.

The CHAIRMAN. I was asking him what those conditions were which transpired during the latter part of that summer; and you

then suggested that, among other things one of the things that happened, was the closing of the sugar exchange.

Mr. KNIGHT. Yes.

The CHAIRMAN. That was the line of my questions; and then, Senator Jones, you asked some questions, and he stated that he could give you the opinion of the trade from this journal, and he was reading the journal. I do not think the witness has undertaken himself to pass on what caused the high prices, but I am perfectly willing to ask him what is his opinion about these causes when we get to it.

What else happened along about that time, if you know?

Mr. KNIGHT. The Public Information Division of the Food Administration issued one of its first bulletins.

The CHAIRMAN. When was that?

Mr. KNIGHT. On August 26. It was issued for publication on August 26 and was published, and referring to the beet-sugar producers of the country—referring not, of course, to the producers, but to the mill owners, although it said "producers"—it said as follows:

> The beet-sugar producers of the country have patriotically agreed with the Food Administration to limit the price of their sugar to a basis which should result in a reduction of about 1½ cents a pound from the present price, effecting a saving of $30,000,000 to the consuming public between now and the first of next year.
>
> Owing to the holders of the remainder of the Cuban crop asking exorbitant prices for their sugar, the price has advanced during the last few weeks by over 1½ cents per pound. The new Cuban crop will not be available until the latter part of December; and if this high price is to continue until that time, the American public will have paid about $30,000,000 more for their sugar than would otherwise have been the case. The beet-sugar production of about 800,000 begins to come into the market during the month of September and should furnish the bulk of supplies between then and the first of next year, when the Cuban crop will be available.

This statement was widely published, and, as I read it, it was republished in a publication called the Louisiana Planter and Sugar Manufacturer, and I have seen the journal, and this is a correct quotation. There is some comment by the editor at the end of this which I will pass over unless it is desired to see what reception this received.

The CHAIRMAN. What is that comment? We can not tell without seeing it. Is that a standard journal of the sugar trade?

Mr. KNIGHT. Yes; of the cane-sugar trade. It is one of the largest, I might say, and one of the most influential. I read further from this. The heading of this, which is on page 153, is "Remarks By the Editor." It is as follows:

> We must resent the opening lines of the second paragraph of this communication from the food control board in Washington. The statement that the holders of the remainder of the Cuban crop are asking "exorbitant" prices for their sugar we believe to be untrue as we understand the definition of the word "exorbitant." Sugar is now somewhat less than three times its normal price, while wheat and Indian corn are selling at three times their normal price, as is also cotton. Beef and pork are likewise selling at double or triple their normal prices.

The CHAIRMAN. Is that the comment of the journal?

Mr. KNIGHT. Yes.

The CHAIRMAN. I thought it was something about this——

Mr. KNIGHT. It is all from the Food Administration, except the closing paragraph, which I am reading.

Senator VARDAMAN. I want to ask you about something. The trend of that editorial was to impress the public with the fact, and the cane-sugar producers of New Orleans with the fact, that the act of the Food Administrator had lowered the price of sugar, was it not?

Mr. KNIGHT. I do not get that from his conclusion.

Senator VARDAMAN. That is a publication in the interests of sugar, is it not?

Mr. KNIGHT. Of the producers.

Senator VARDAMAN. And he is particularizing against the action of the Food Administrator, as it seems, because the effect was to lower the price?

Mr. KNIGHT. The editor in his conclusion makes a different statement.

Senator VARDAMAN. Go ahead and put it in there, then.

Mr. KNIGHT (continuing to read):

Beef and pork are likewise selling at double or triple their normal prices, and this charge of exorbitant prices made against the Cuban holders of sugar is probably incited by the sugar refining combination in New York, which recently assured the Government that they would provide 100,000 tons of sugar a month for the use of the Army and Navy, when those signers, with their individual or corporate capital, did not make or produce a pound of sugar in a year, but are simply sugar refiners, anxious to secure as wide a margin from the refining process as would the sugar planters who planted the canes and manufactured them into sugar by their own process of production. The hand of the Sugar Trust is perceptible in all of these recent manipulations of the sugar market and of sugar control.

I might state that the stocks of Cuban sugars were very low at that time and the bulk of the Cuban stock had been sold and was in the hands of the refiners, and reached the consumer at a price lower than the statistical average price of Cuban sugar for the season.

Senator VARDAMAN. And the effect of that was to increase the price of sugar in the hands of the sugar refiner—the Sugar Trust?

Mr. KNIGHT. I am speaking merely as to the effect it had upon Cuban production and upon the Cuban situation, because the Chairman's line of questioning was directed along that line, and in any such digressions as these I could not hazard any more of an opinion than anyone else.

Senator VARDAMAN. That editor there refers to the fact that he sees the Italian hand of the Sugar Trust in that?

Mr. KNIGHT. Yes; that was it, apparently.

Senator VARDAMAN. What was the purpose of the Sugar Trust in that? That is what I want to know. How would it affect the Sugar Trust?

Mr. KNIGHT. He probably had some impression that possibly the Sugar Trust might be associated in some way with whatever plans the Food Administration had in controlling the coming crop. If so, I desire to go on record as complimenting him on whatever divination or whatever psychic qualities he had.

Senator VARDAMAN. He dipped into the future?

Mr. KNIGHT. Yes; and apparently he obtained a correct forecast.

The CHAIRMAN. This statement is made in a publication set out in a journal of the Food Control, that they had fixed the price of the beet-sugar crop at 7.25?

Mr. KNIGHT. Yes.

The CHAIRMAN. And further, the statement is made that that crop would begin to reach the market in September and would fill the gap?

Mr. KNIGHT. Fill the gap; yes, sir.

The CHAIRMAN. As a matter of fact, it did not fill the gap, did it?

Mr. KNIGHT. It did not.

The CHAIRMAN. Now, let us deal with the question of price. If there had been no regulation of price for beet sugar and it had come on to the market in the month of September, can you give us any opinion, based upon previous knowledge and upon previous experience, as to whether or not that sugar, coming on to the market—an open market—would have put the price up or put it down?

Mr. KNIGHT. It undoubtedly would have depressed quotations.

The CHAIRMAN. In other words, the Cuban crop was pretty well exhausted at the period we are speaking of, which was in August?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. And if there was a new supply came on of beet sugar—of how many hundred thousand tons?

Mr. KNIGHT. I think 800,000 tons.

The CHAIRMAN. Sufficient to fill the gap, as this circular states, and if that was thrown on the open market, it would have depressed the price of sugar?

Mr. KNIGHT. Certainly.

The CHAIRMAN. There is no doubt about that?

Mr. KNIGHT. Judging by what has happened in the past.

The CHAIRMAN. Yes. So that if that is true, the fixing of the price of beet sugar at 7.25 and of the entire crop which was to come in and fill the gap, had a tendency to deprive the public of a lower price of sugar up to the full benefit of the reduction which would have come from the sugar flowing in in a natural way?

Mr. KNIGHT. Judging by what has happened in the market, that would be the conclusion.

The CHAIRMAN. And now, while we are at that: If the beet sugar had commenced to come into the market in September in sufficient quantities to fill the gap—I believe that is the language, is it. Let me have that circular. This is from what you have read. It says:

> The beet-sugar production of about 800,000 begins to come into the market during the month of September and should furnish the bulk of supplies between then and the first of next year, when the Cuban crop will be available.

If that had been done and the price had come down, as you have stated—the price of beet sugar—that would have reduced the price of all cane sugar then on hand, would it not?

Mr. KNIGHT. Of all refined sugars; yes.

The CHAIRMAN. Of all refined sugars; yes. Well, it would also have controlled the market of those raw sugars which might thereafter be refined?

Mr. KNIGHT. There was such a negligible quantity of them at that time that with the refined sugars reaching the market, I do not believe that the price of raws would have made much particular difference at that particular time.

The CHAIRMAN. But you were speaking of raws also. Were you also speaking of the Hawaiian sugars?

Mr. KNIGHT. Of Cuban sugars.

The CHAIRMAN. Assuming that there was something like 800,000 tons of Hawaiian cane sugars, raw, on hand, or coming on their way to this market, if the beet sugar had been thrown upon the market, these 800,000 tons, without any price regulation, and it had depressed the price, that would have compelled the sale of cane sugars whether they came from Hawaii or whether they came from Cuba, at a price that would meet the competition of the beet sugar, would it not.

Mr. KNIGHT. I should say so, in the light of what had happened in the normal market previously.

The CHAIRMAN. That has always happened in every market, has it not?

Mr. KNIGHT. Oh, yes.

The CHAIRMAN. Suppose there was not enough beet sugar to go around; then what would have occurred?

Mr. KNIGHT. I think that the visible supply of sugar at that time was sufficient to meet the needs; that is, the visible supply of refined sugar in this country.

Senator JONES. You do?

Mr. KNIGHT. Yes.

Senator JONES. You do not think there was a shortage of sugar in September, 1917?

Mr. KNIGHT. Oh, there was a shortage to the individual consumer, but not a ton shortage.

Senator JONES. Where do you get that information?

Mr. KNIGHT. What time did you say—what date?

Senator JONES. In September.

Mr. KNIGHT. I think the stocks were below normal in September. I was thinking of the time when the Louisiana sugar came in.

Senator JONES. Yes.

The CHAIRMAN. Assuming that this statement contained this circular sent out by the food control, and which I am about to read, is correct, namely:

> The new Cuban crop will not be available until the latter part of December, and if this high price is to continue until that time, the American public will have paid about $30,000,000 more for their sugar than would have otherwise have been the case.

With that preliminary statement, assuming this statement to be true:

> The beet-sugar production of about 800,000 tons begins to come into the market during the month of September and should furnish the bulk of supplies between then and the first of next year.

Assuming that that was true, that that beet sugar could come in and that it would furnish the bulk of the supplies, would it not inevitably have reduced the price if there was sufficient to furnish the bulk of the supplies?

Mr. KNIGHT. If the cost of beet sugar to the consumer was based upon the usual economic laws, I should say certainly, in the light of what has always happened before.

The CHAIRMAN. Now, proceeding from that point: The agreement was fixed at 7.25 for beet sugar and that agreement was furnished and published on August 26, 1917?

Mr. KNIGHT. Yes.

The CHAIRMAN. I want to call your attention to the fact that taking the year 1916 and coming to the months of July and August, we find the highest price in July and early in August?

Mr. KNIGHT. Yes.

The CHAIRMAN. That prevailed, and then there was a drop by the middle of August to $7, and in September it went on down to $6.40 and $6.75, and continued in the neighborhood of $6.75 and $7 until the months of October and November?

Mr. KNIGHT. There was a price recession from the middle of July until the latter part of September.

The CHAIRMAN. In 1916?

Mr. KNIGHT. Yes.

The CHAIRMAN. In this year, with this regulation of beet-sugar prices at $7.25, which, by the way, were above the prices of 1916 for that same period of time, were they not—that is, they were above the prices that prevailed for the month of September and the latter part of August?

Mr. KNIGHT. I have not those.

The CHAIRMAN. Well, I have them here.

Mr. KNIGHT. Yes.

The CHAIRMAN. With that recession of prices made on or about the 26th day of August—about that date—what happened, now, to the general prices of sugar in the United States? Did they go down from the 26th day of August immediately? [After a pause.] Well, I call your attention to the figures here.

Mr. KNIGHT. No; they increased, according to the record I have.

The CHAIRMAN. In order that they may go in, I will read from the figures, as follows:

On August 2 the price was $8.15. On August 9 the price was $8.40. On August 16 the price was $8.90; on August 23, $8.40; on August 30, $8.40.

So that the price at the date when this publication was sent out was $8.40.

The price on the date that the agreement as to beet-sugar prices was fixed at $8.40. On September 13 the price was $8.40. On September 20 the price was $8.40. On September 27 the price was $8.40. Do you see any indication in that that fixing the price of beet sugar had reduced the price of cane sugar up to this period of the agreement at all?

Mr. KNIGHT. Obviously, I do not.

The CHAIRMAN. Now we come to October 4, which is the next date I have. I have these prices by weeks. The price dropped to $8.35 and continued at $8.35 as sold by the American Sugar Refining Co. until December 6, 1917. There is no reduction there in sugar prices to the American people, is there?

Mr. KNIGHT. The market was very strong then.

The CHAIRMAN. And during that period in other years the prices had been more moderate than that by nearly a dollar?

Mr. KNIGHT. The price levels were lower.

The CHAIRMAN. Yes. It is only since December 13, 1917, that the price has gone to $8.15. I have here the table which is taken from Willett & Gray.

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. So that up to date it does not appear that there has been any restriction in price by virtue of this beneficent agreement made with the beet sugars, does it?

Mr. KNIGHT. It would not appear so from the record.

The CHAIRMAN. And now, seeking prices that are to prevail next year or to prevail for the present cane crop which is being harvested and which has not reached this country, is a matter that rests in the future.

Mr. KNIGHT. Under normal conditions.

The CHAIRMAN. Under normal conditions; yes. What is going to work out for present conditions; as a matter of fact for the future, because we do not know what is in the future, of course.

Mr. KNIGHT. Yes, indeed.

The CHAIRMAN. So that if the American people have saved this thirty or sixty or ninety millions of dollars, or whatever sum it was that Mr. Hoover mentioned yesterday, if they are to save it they have not yet received that money, for the price of sugar has not gone down since these arrangements were made materially; that is the situation, is it not?

Mr. KNIGHT. Yes, sir. I have here a little diagram which shows the daily trend of the sugar market in November and December, and it shows that whereas the price for refined sugar has remained stationary or about so, and whereas the comparison of the cost of refined sugar this year over the price last year shows an advance, and a comparison of the cost of raw sugar of this year over last year shows an advance, the difference between the price of raw and refined has increased this year rather than last year, and that the general normal rise, as affecting both ends, is reflected more so by the refined production than by the raw. In view of the facts as to the increased cost of producing raw sugar I think that the fact that the raw sugar producers have received proportionately less for their product might be of interest. This is in graphic form, and if you care to put it in the record I will state that it is from a trade publication which is not affiliated with Cuban sugar production in any way.

(The diagram referred to was marked by the stenographer "Exhibit No. 181.")

Senator JONES. You have been working in the interests of the Cuban producer of cane sugar, have you not, a good deal of the time during the last few years?

Mr. KNIGHT. I have never had any personal or business relations with any Cuban producers as a class. I know a few individuals.

Senator JONES. As individuals?

Mr. KNIGHT. I know a few of them individually.

Senator JONES. As long as you have made that answer I will ask you if you have not been employed by some of the people of Cuba who are interested in the producing of sugar.

Mr. KNIGHT. Not on any sugar matters whatever.

Senator JONES. Why have you been giving so much attention to sugar, then?

Mr. KNIGHT. I have heard so much about refiners and mills, Senator—I came down here merely as an observer, because I was here on another matter, but I have heard so much about refiners and mill men, the manufacturers, and all this, and I have heard so little

which is either true or seems worthy of consideration from the cane producer that I placed myself at the disposal of the committee.

Senator JONES. When you laid the foundation for your testimony you left the impression upon my mind, at least, that you had been devoting your time to a study of these things for four or five years.

Mr. KNIGHT. In the Cuban sugar situation?

Senator JONES. Yes.

Mr. KNIGHT. Yes.

Senator JONES. Now, I am asking you what it was that induced you to do it.

Mr. KNIGHT. I desired to gain more knowledge of these Cuban commercial affairs, and of sugar and tobacco especially, as I said.

Senator JONES. You were doing that at your own expense?

Mr. KNIGHT. That depends on what you mean by "own expense." I am retained by the Cuban Government to advise with them on some commercial matters, the same as I have done in regard to other matters. But let me define exactly my attitude in appearing before your committee as that of an individual and not with the consent or with any deliberation with any Cuban Government agency, because I came here voluntarily without talking with anyone.

Senator JONES. I understand you are not here in any official capacity, but at the same time you are an official of the Cuban Government?

Mr. KNIGHT. I am not, sir.

Senator JONES. You are engaged officially in connection with the Cuban Government?

Mr. KNIGHT. No, sir; I am not.

Senator JONES. You are not in any way employed, are you, at the present time?

Mr. KNIGHT. As I explained to you, I am a contributor to the trade and technical press on these matters. I receive money for the articles that I prepare. I sell them. And I receive a stipendium for my advice and for news work in Cuban commercial affairs.

Senator JONES. Did you not state just a moment ago some connection you have with the Cuban Government?

Mr. KNIGHT. I said that I was a Cuban commercial statistician and contributor to the trade and technical press upon Cuban commercial matters.

Senator JONES. For the Cuban Government?

Mr. KNIGHT. I did not say so.

Senator JONES. I understood you to say so.

Mr. KNIGHT. No, sir; there is no such statement in the record.

Senator JONES. Well, I was mistaken, then.

The CHAIRMAN. May I proceed now?

Senator JONES. Certainly.

The CHAIRMAN. We are proceeding here a little like the temperance movement. We move forward to a point, and we recede, and then come back and get a little further. We had gotten along in your testimony to where we were beginning to trace causes which might affect or did affect the matter of sugar and the conditions in Cuba.

Mr. KNIGHT. Yes, that is right; as to the conditions of Cuba. There was another discordant factor down there which occurred about this time.

The CHAIRMAN. What time?

Mr. KNIGHT. About August 26. It was stated in Habana that the Food Administration was going to regulate the price of Cuban raws to the Cuban producers in the same arbitrary fashion in which the price of western beet sugar was regulated after certain measures were taken. The announcement of the Food Administration did not particularize as to these measures, so that it took some little time, of course——

The CHAIRMAN. Have you that statement about certain measures, so that we can get the language of it?

Mr. KNIGHT. The public information division of the Food Administration issued this article. I have not a copy of it here, but the words "certain measures" were used, either appeared in the article or were quoted in Cuba. There was a veiled reference as to some measures to be taken which were not specific. That was published by the public information division of the Food Administration, to the press.

The CHAIRMAN. Well, either that got to Cuba or at least the statement was made in Cuba that such expression had been employed?

Mr. KNIGHT. Yes. It took a few days to reach there through the ordinary channels and to be widely published. So that within a few days the owners of the great centrales had a public meeting in Habana, which was presided over by Señor Vidal Morales, and they appointed a committee to communicate with the United States Food Administration and to ascertain just what Mr. Hoover meant by these measures, and to report back to the whole.

The next day the planters appointed a commission to confer with the President of Cuba, and they asked him to request the United States Food Administration that in the event the Food Administration intended to shut off from Cuba a competitive market, the administration would take into account the extraordinary factors of cost entering into the production of this record sugar crop of this year. Their idea was to see to it that the small colonos and the persons in that category should be protected in any arbitrary price fixation which might be made, or rather any closure of any competitive market which might be made, and President Menocal, according to my data which are taken from the Habana press—the Habana papers, anyway, stated that President Menocal about December 5 cabled to Washington for information of what the Food Administration intended to do, but he received no immediate, or subsequent immediate answer. Then, of course, there was progress being made in Washington in the matter of sugar control, and I do not care to go into that, except as it affected the Cuban interests. So that on September 17, at least there was a letter written by Mr. Hoover to the various refiners asking them to repress purchases, and to make commitments at only from $5.75 to $6, duty paid, which would be a dollar less, cost and freight, which, of course, was a little less than the market at that time.

Then on the 20th, three days later, the Cuban Government appointed Col. José M. Tarafa, who is an extensive sugar producer, and Señor Lezama, who is another widely known sugar planter, to come up to Washington and confer with Mr. Hoover and with the Food

Administration, and to offer again their good offices in acquainting him with the various production costs and means of marketing and how best the Cuban producers could coincide with whatever ideas the Food Administrator had as to the disposition of the Cuban crop. However, they did not progress far in their negotiations, through some failure of the minds of this commission and the minds of the Food Administration to meet. Whether they were laboring under a misapprehension or not I do not know, but I do know that these gentlemen returned to Habana almost immediately, with the idea that they were not welcome and that whatever measures the Food Administration might take for closing a competitive market to the Cuban producer would be taken practically *ex parte*, and then they would be consulted when the proper time arrived.

The day after these gentlemen came here the International Sugar Committee, on September 21, was appointed by Mr. Hoover, and wide publicity was given to that fact.

On the 23d, two days after that, these gentlemen reached Habana. They returned by rail so as to arrive there as quickly as possible. The Cuban sugar producers representing about 12,000,000 bags production, about one-half of the crop, held a meeting to hear the report that Messrs. Tarafa and Lezama were to make to them upon their deliberations with Mr. Hoover, and there they announced, although the statement had not been made in Washington up here when they were here, that they had received a provisional ultimatum from the administration that the best price they could possibly fix would be on a basis of $4.60, f. o. b. Cuba, which was destined to be the price which was finally arranged, cost and freight. There was a short hiatus in the Cuban deliberations—that is, among the Cuban producers themselves—because they were in a great state of apprehension. The larger companies, of course, the larger central owners, realized that they could produce and market sugar at such a price as was described, but the small colons were greatly worried. They could not market their crops at this arbitrary figure; and, laying aside the question of getting it to market and other obstacles, they could not, so they stated at their various meetings in Cuba, market their crops at $4.60, f. o. b. Cuba, unless all chances for future production on the same scale on which they were then producing would have to be waived and taken of the question.

About this time, of course. there was great searching after the cause of the sugar scarcity, and the unrest and dissatisfaction among these Cuban producers was increased by charges made in the New York press that hoarding of Cuban sugar was responsible for the shortage in the United States. At that time they could not understand the authenticity or motives back of such statements, because there was a shortage of refined sugar in Havana as well. Refined sugar was selling in Havana at very high prices until the situation was relieved through economic means. The charge that the Cubans were hoarding their sugar at the time added to the unrest. They thought that if such a charge was made against them, why, perhaps the measures closing off their competitive market might be equally sinister. They did not know, because their minds had not yet met with the minds of the Food Administration on what was to be done. However, a second sugar commission was then appointed, about November 26, that is, 10 days after the present crop had begun to be

ground. It included the Cuban Minister and Col. Tarafa, as before, and in addition had Mr. Ernesto Longa, who is one of the officials of the Cuban-American Sugar Co.; Mr. Hannibal de Mesa, who is a wealthy independent sugar producer, and Mr. Miguel Mendoza, who is connected with large sugar interests. They came to Washington and later went to New York, where they held several sessions with the International Sugar Committee.

Senator LODGE. You say the 26th of November, for that?

Mr. KNIGHT. Yes. This was the second time that an effort was made by the Cuban producers here to secure a competitive market for their production, or a price which would protect them.

Senator LODGE. Had they had no consultations prior to that?

Mr. KNIGHT. They had the consultations here which I spoke of.

Senator LODGE. When those two gentlemen came on here they did not succeed in doing anything?

Mr. KNIGHT. They did not.

Senator LODGE. There was nothing between that and the November 26?

Mr. KNIGHT. The Food Administration all this time was issuing bulletins.

Senator LODGE. No; but I mean, no consultations?

Mr. KNIGHT. There might have been, but the public did not know of it. At any rate, the public was kept informed as to what the Food Administration expected of Cuba, through the copious publicity matter which was issued by the Food Administration, and, of course, this was widely published, which gave a good idea of it.

Senator LODGE. Was not Dr. de Céspedes a member of that commission?

Mr. KNIGHT. Yes, sir; he was chairman of the commission.

Senator LODGE. I did not know that you mentioned him.

Mr. KNIGHT. I said the Cuban minister. Then, on November 30, the price f. o. b. Cuba was fixed for the coming crop.

Senator LODGE. You say that there has been some discussion about it. I think it is well to put in at this point this which appeared in the Weekly Statistical Sugar Trade Journal. This is headed "Cuba price agreement reached. International Sugar Committee announcement." There was such an announcement?

Mr. KNIGHT. Yes, sir.

Senator LODGE. This reads:

> At a meeting of the Cuban commission appointed by President Menocal, of Cuba, and headed by Señor Carlos Manuel de Céspedes, with the International Sugar Committee, held November 30 at the office of the committee at 111 Wall Street, an agreement in regard to the purchase and sale basis price of Cuban sugars for the coming crop was arrived at, the figure being $4.00, cost and freight New York, based on a 30-cent freight rate, which reflects an equivalent of about $4.60 f. o. b. Cuba. The actual price of the sugar at New York can only be determined after the United States Shipping Board has fixed the rate of freight, which point it is hoped will be settled within a few days.

Mr. KNIGHT. Yes.

Senator LODGE. This announcement of the International Sugar Committee shows that a price was agreed on on the 30th of November?

Mr. KNIGHT. Yes; it was agreed on and given out by Mr. Gibson, an attaché of the commission, to the press on the 30th of November.

Senator LODGE. It was their announcement?

Mr. KNIGHT. Yes, sir.

Senator LODGE. I think that must be accepted. Did the Cuban embargo continue after that announcement?

Mr. KNIGHT. It did not in so far as shipments of sugar to the countries represented on the International Sugar Committee were concerned. I think the embargo still holds as to neutrals.

Senator LODGE. Yes; I understand it holds as to neutrals.

Mr. KNIGHT. Yes.

Senator LODGE. But as to the United States, and as to what the International Sugar Committee represents—those countries—the embargo has no longer any existence?

Mr. KNIGHT. No, sir. In other words, the raw sugar now being produced in Cuba awaits the disposition of the International Sugar Committee and these shipping agents.

Senator LODGE. That is what I understood.

The CHAIRMAN. And do we understand, then, that during all this period of time—when was it, so that we may get the date in the context here—when the sugar refiners made their voluntary agreement to get all their sugar through the international committee?

Mr. KNIGHT. I have it here. September 5, when the American Refiners' Committee was appointed.

The CHAIRMAN. No; I do not think that is correct.

Mr. KNIGHT. I do not mean the International Sugar Committee, but the International Refiners' Committee.

The CHAIRMAN. No; I am asking if you do not know—if you do not know, say so and we will get it some place else—when it was that the American sugar refiners entered into this voluntary agreement that has been referred to in the evidence, by which, as I understand, they agreed to get their sugars through the International Committee.

Mr. KNIGHT. I have not the record of the date.

The CHAIRMAN. I want to get that. We have got it here somewhere.

Mr. C. A. SPRECKELS. It was October 1.

The CHAIRMAN. October 1?

Mr. C. A. SPRECKELS. Yes.

The CHAIRMAN. We will assume October 1 to be correct, as it undoubtedly is. Now, from October 1 on to this time what market, if any, has there been for that part of the Cuban crop of last year—the old crop? There was some on hand. Do you know how it was disposed of?

Mr. KNIGHT. A small quantity. I think some of it came up, some which had been contracted for came up, and reached this country; but since October 1 the small quantity of old crop remaining on the island, on the whole, is negligible.

The CHAIRMAN. Has there been any real market for the Cuban sugars—the new crop? Has there been any market for them since August?

Mr. KNIGHT. There has been no competitive market. Tenders have been invited by the International Sugar Committee, of Cuban raw sugars, which will be delivered in New York at some future date.

The CHAIRMAN. In other words, while the Cuban crop began to be produced, ready for the market, as raw sugar, on the 15th of November, that sugar has been lying there, and it has been accumulating ever since?

Mr. KNIGHT. Sugar has been accumulating ever since. That is the report in all of the papers.

The CHAIRMAN. And practically all of the sugar mills in Cuba are now getting into operation?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. And no arrangement has yet been made to get the sugar to this country?

Mr. KNIGHT. I do not know as to that; but none of the sugar which has been produced and which normally would be on its way to this country has reached here.

The CHAIRMAN. What is the reason that it has not come? Is it because the refiners of this country were formerly the only market for the sugar, and they are no longer at liberty to buy?

Mr. KNIGHT. Possibly. There is no competitive market for the Cuban sugar.

The CHAIRMAN. There is nobody to buy it except the International Committee?

Mr. KNIGHT. Nobody, except the International Sugar Committee, and the International Sugar Committee has not yet shown up there with the money to buy. The situation amounts to that.

The CHAIRMAN. Further than that, what is the condition, if you know, with reference to boats for Cuban sugar, even if there was any sold? Are there any boats now that are accessible, or not?

Mr. KNIGHT. There are cargo vessels making regular sailings between the Cuban ports and the Atlantic ports, as heretofore. The curtailment of tonnage under the flag of one line—it is no secret; I refer to the Ward Line—which has lost two of its big ships by Government service—it did not lose them; they went into Government service—has been compensated by private charter of tramp steamers, and their regular sailings are being kept, I think, between the ports of Cuba and New York, when opportunity offers. Of course the number has been curtailed some by the action of the closure of the competitive market to the Cuban raw sugar.

The CHAIRMAN. So that the amount of it is that there has been sugar in Cuba since the 15th day of November which would have reached this market if there had been no artificial interference long before this?

Mr. KNIGHT. It would have; yes, sir. It is fair to assume from what happened heretofore. It always did, before.

The CHAIRMAN. You never knew any of those gentlemen down there who were not willing to sell their sugar if they were getting a fair price for it?

Mr. KNIGHT. They like to liquidate as quickly as possible.

The CHAIRMAN. So that as a matter of fact the Cuban up to the present time has been completely deprived of his market—his immediate market. Now, what has been the effect of that deprivation upon the small sugar planter of Cuba?

Mr. KNIGHT. Well, the colonos, as I stated at the outset to-day, are paid in sugar and not in money. The settlements with the colonos are made from time to time, usually fortnightly, and the basis of settlement is a quotation which is an average quotation fixed by the Colegio de Corredores in Habana—the College of Brokers—and of course when this quotation is fixed the colono's sugar is sold and he receives his money therefor; so that he can get his money

within two weeks of the time his sugar is ground, or later if he wants it.

Senator LODGE. The price is now fixed?

Mr. KNIGHT. This was formerly the case.

Senator LODGE. Yes; but I mean this time the price is fixed?

Mr. KNIGHT. Yes.

Senator LODGE. Is the colono selling at that price now?

Mr. KNIGHT. The sugar is susceptible now to offers or tenders to the International Sugar Committee, delivery to be effective later on. Naturally the transaction is not consummated with the grinding of sugar or establishment of a price. At least, the colono does not think so, because he receives no money for this sugar in the regular way.

I might add, however, that speculators have been going among the colonos down in Cuba and offering to take their sugar off their hands at prices which do not represent the cost to the colono of producing his sugar, but which represent the transfer of tangible cash, and the colonos have been accepting some of these offers—those who are in the hardest straits—and naturally sacrificing their holdings to that extent.

The CHAIRMAN. Are some of them in debt so that they have to sell?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. Of course we all understand, and I assume that nobody will dispute it, that there is now no market for the Cuban sugars—no regular market.

Mr. KNIGHT. There is a potential market, but not an actual market.

The CHAIRMAN. What is the effect, then, on the man who raises the cane—produces the crop? What is the effect of these conditions upon him?

Mr. KNIGHT. They place him in a position of economic peril, both as regards his immediate obligations and the chances of his production in the future. When it is borne in mind that 60 per cent of the sugar of Cuba is produced on the colono system, the importance and the seriousness of the colono's present plight can be readily understood in the light of the necessity for sustained production there.

The CHAIRMAN. What effect is it having upon his production of next year?

Mr. KNIGHT. It is fair to assume that when he knows that he can not secure a price for his cane which represents to him the expense of production, and eventually—that is, he immediately can get no returns at all—that he will turn to the cultivation of other foodstuffs which he can sell at his door, such as garden truck and vegetables and other foodstuffs which he can sell for consumption in Cuba, the opportunity for such trade being great and the progress in it being curtailed only through the motives of patriotism, and the Cuban people responding to appeals.

Senator VARDAMAN. Is it not a fact that the colono always sells his sugar to the broker or the exporter? He does not export any himself, does he?

Mr. KNIGHT. He receives a price which he would receive if he exported. It amounts to the same thing.

Senator VARDAMAN. Is he receiving that now?

Mr. KNIGHT. From whom?

Senator VARDAMAN. From the exporter.

Mr. KNIGHT. There is none being exported. He will when it is being exported.

Senator VARDAMAN. He would only do that in normal times, would he not?

Mr. KNIGHT. He can get a turnover in two weeks after his cane is brought to the mill, in normal times.

Senator LODGE. There is nobody buying now, as I understand?

Mr. KNIGHT. No, sir.

The CHAIRMAN. As I understand the situation, practically the sole purchaser of Cuban sugar is the American sugar refiner, in normal times.

Mr. KNIGHT. The American and the British.

The CHAIRMAN. American and British. Now, the American sugar refiners have agreed that they will buy no sugar except through the International Sugar Committee, and the British sugar refiners are under similar obligation, so that there is only one prospective buyer in the world, and that is the International Committee, and that has not yet found the cash to purchase the sugar that comes to America.

Mr. KNIGHT. It has invited tenders of Cuban sugar to be shipped from the Island some time in the future; in the near future, now.

The CHAIRMAN. But it has not yet found the cash? Well, you may not know that, but they have not; I happen to know that.

Mr. KNIGHT. I know there is no cash down there for the purchase of the sugar, apparently.

The CHAIRMAN. With this large crop—much larger, according to the estimates of the Cuban Government, the minimum estimate being 3,500,000 tons—and according to other authorities it will reach more than that—if these restrictions were taken off the sugar so that this new crop could flow into the market, what would be the effect upon prices?

Mr. KNIGHT. The great producers would, of course, send theirs to the market first, because they could produce it more rapidly and more efficiently than the smaller fellows, and they are closer to the seaboard, so that their crop would reach the market first, and it would be in large quantities until possibly 40 per cent of the entire Cuban crop had reached the market at costs in a competitive market—at prices in a competitive market—which would return a fair profit to the big producer, but which would not be as great, I assume, as the prices fixed by the International Committee. Then, when this great bulk consignment had reached the market there would be a smaller, but steady movement of sugar produced by the smaller concerns; it likewise would find a ready market, and it would sell, I think, at a price a little higher than the price now in force from the International Committee. It would have to, because the colono can not go on and produce the sugar at the price now imposed, and have any incentive to sustain production. However, the stabilization of the retail price of granulated should have been reflected; in other words, the refiners would be charging a little more for sugar they got from the big producers than the average margin. And they would be charging a little less when they had to pay the smaller colono a little more.

Senator JONES. I understood that this price of 4.60 for Cuban sugar was considerably too high. You do not agree with that view, do you?

Mr. KNIGHT. Oh, certainly not. That is the refiners' view. I am sure Mr. Spreckels's is.

Senator JONES. His is the refiners' view. What is your view?

Mr. KNIGHT. His view is the view based on the refiners' attitude, and mine is on the known increase of the cost of production since the last crop reached the market.

The CHAIRMAN. Your position, as I understand it, is that if the artificial interferences were removed, the Cuban crop would start to the market, and the first part of the crop, 40 or 50 per cent of it, produced by these large concerns, would reach the market, and that the price of sugar would go down in Cuba below the present 4.60 price or the contemplated 4.60 price?

Mr. KNIGHT. The tendency would be to depress any immediate price level.

The CHAIRMAN. Yes.

Mr. KNIGHT. And my impression is that it would go down, according to assurances I have received from the technical authorities, some of whom are here.

The CHAIRMAN. Then you think that the latter part of the crop would go up above 4.60.

Mr. KNIGHT. Yes, I do.

The CHAIRMAN. Now, assume one thing further, because I do not ask to have it assumed as a matter that ought to be done or ought not to be done, but assume that the tonnage of Cuba is practically all under the control of the United States or of Great Britain—is it not?

Mr. KNIGHT. Well, there is a small neutral tonnage. Norwegian ships have been chartered right along, and the Munson line have had ships under charter for many years to move the sugar crop and move the crops from Nuevitas and Antilla. There is neutral merchant tonnage to transport it.

The CHAIRMAN. All of it or part of it?

Mr. KNIGHT. Part of it.

The CHAIRMAN. If the tonnage that is under the control of Great Britain and of the United States were withdrawn or withheld, what would be the effect of that upon the Cuban producers?

Mr. KNIGHT. They could not possibly move their crop, of course.

The CHAIRMAN. So that whoever commanded that tonnage, by virtue of that command, if he wanted to exercise the power, practically would have the Cuban producer at his mercy?

Mr. KNIGHT. Certainly; both as to exports and as to Cuba's imports; because with the growth and with the, I might say, flow of money to Cuba, which has been realized from the sale of her sugar in years past, has come a corresponding demand on the part of Cuba from the United States for most of her other supplies. In other words, the great necessity for the production of the great crop of sugar has enabled the Cuban to get the money to import a great many other things which he might produce himself. This has resulted in Cuba, small as it is, leading Latin America to-day in the exports and imports to the United States, a condition which is certainly admirable, and the maintenance of a good price on sugar will tend to perfect the relations.

I have here a chart prepared by the Pan American Union which shows the prominence of Cuba both as to exports and imports with

the United States, and also tends to show the great importance to us, to the United States, of having the utmost freedom and competitive normal market conditions with Cuba if she and the United States are to maintain their present advantageous economic relations.

Senator LODGE. What are those imports to Cuba from the United States?

Mr. KNIGHT. This represents the imports into the United States from all the South American nations proportionately.

Senator LODGE. But what are the imports into Cuba from the United States?

Mr. KNIGHT. Into Cuba, I think, for the calendar year 1916 they were $164,000,000.

Senator LODGE. Those are not the United States exports to Cuba, but the exports from Cuba?

Mr. KNIGHT. Yes. Cuba's balance of trade is about $100,000,000 this year. This may seem high, because she has a population of less than 3,000,000. At the same time her commerce with the United States is steadily increasing. She had a foreign trade last year of about $618,000,000, which is so much greater than that of any other South American country with the difference of the balance of foreign trade in her favor.

The CHAIRMAN. These tables may be received. I do not think it will be necessary to print them in the form in which they are, but the figures can be put in.

(The chart referred to was marked "Exhibit No. 182.")

The CHAIRMAN. You have another table here that has to do with the trend of the sugar market during November and December.

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. Comparing 1916 and 1917?

Mr. KNIGHT. Yes, sir.

The CHAIRMAN. Let that go in. It is a table to show the increase in price of refined sugar for December, 1917, over December, 1916, which is about double the price of raw sugar in December, 1917, over December, 1916.

(The table referred to is Exhibit No. 181.)

Mr. KNIGHT. In other words, the consumer in buying refined sugar pays twice as much to the refiner as he used to, as opposed to what the producer gets. In other words, while the cost of raw sugar has increased the price of refined sugar has increased proportionately more, so that in any fixation of price it would affect universally any great production like that of Cuba, and when any ratio of refiner's profit is taken into consideration it should be borne in mind, I take it, that the producer should be entitled to at least his modicum and measure; and the Cuban producer asks no more, and to give him less would be not only to imperil the conditions which Cuba has known, but to paralyze the arm which she holds out to the United States as an ally.

The CHAIRMAN. Do you know what effect the placing in control of the sugar situation in the United States of great sugar refiners has had upon the confidence or lack of confidence of the sugar producers, either of this country or of Cuba.

Mr. KNIGHT. I can not speak for the sugar producers of this country because I am sure that there are others who could speak more authoritatively, but it has long been felt by the Cuban sugar producers that if they were to be participants in a scheme of restricted competi-

tion in the market which they sell to they likewise should be represented and consulted in the making of such a scheme, in the creation of such a scheme.

The CHAIRMAN. I am trying to get at the question of whether or not the placing upon the international board, in a position to control sugar prices to the producers of men who were sugar refiners, has had any effect one way or the other, that you know of?

Mr. KNIGHT. There was no criticism so far as any of the individuals were concerned, but it was felt that there should be a wider, more representative body to consider such matters as the refiners themselves have considered.

The CHAIRMAN. State whether the attempted regulation of the Cuban sugar market in the manner you have indicated is having the effect of stimulating production for the next crop or if it is having an adverse contrary effect.

Mr. KNIGHT. It is having a very depressing effect upon the prospects for the crop after the present one. It is felt that no effort can be made such as has been made under the present conditions. Whereas 40 per cent of the high-efficiency fellows can go indefinitely and increase their acreage and increase their share of the Cuban output, the 60 per cent, in the four western provinces, which I outlined this morning, facing higher operating costs, can not extend their production or maintain their present intensive production with the present system of price fixation and control.

The CHAIRMAN. Would they be willing to go on and take their chances upon the world's market if the regulations were withdrawn?

Mr. KNIGHT. They would, Senator, because it would react to them advantageously in two ways. It would create both a free market instead of a closed market for what they sell, and it would enable them thereby to deal more advantageously with the situation which now confronts them, that of buying all their supplies in a competitive market while they have to sell what they produce in a noncompetitive market. It would be a reaction back toward normal which would not only help them in what they sell but would protect them in the prices of the commodities which they use and buy.

The CHAIRMAN. In other words, does the Cuban fear and resent or simply fear a situation where his price can be fixed by two or three men, even when it may be fixed high enough to give him a profit?

Mr. KNIGHT. The natural attitude would be not of resentment but of apathy and, of course, of hesitancy. Apathy is a mild term.

The CHAIRMAN. To put it in other words, do you mean to say this to us, that the Cuban planter, finding that his world market is taken away from him by this international committee and realizing that he is to be forced to take whatever price they give, is apprehensive as to what price may be paid?

Mr. KNIGHT. That is quite true.

Senator JONES. I will ask this witness if he did not know that two cargoes of Cuban sugar had reached Atlantic ports already?

Mr. KNIGHT. I did not have the particular facts as to the identity of the ports, and therefore you will notice I qualified my answer.

Senator JONES. I did not notice the qualification. I thought you said it had not been shipped.

Mr. KNIGHT. I qualified every one, having this one cargo in mind.

The CHAIRMAN. Since you are speaking of a cargo that you knew about, and since we understand the situation to be that the International Committee—at least, our part of it, has no funds, and that it is now negotiating trying to get the refiners to authorize it to buy for their account, do you know where the money came from to secure these cargoes?

Mr. KNIGHT. I do not. The International Sugar Committee invites tenders from the Cuban producers, and having received these tenders, proceeds to negotiate them at a figure it has fixed. That, I think, is the modus operandi of the present arrangement.

The CHAIRMAN. So that, as you understand it, under the present situation the International Sugar Committee invites tenders, and it tells somebody that he can buy that sugar at that price if he will take it over?

Mr. KNIGHT. The committee invites tenders, the deal is consumated—we are speaking of ideal conditions—and when the sugar is received, it is apportioned by a committee of refiners.

The CHAIRMAN. Who is it that puts up the money, the man to whom the sugar is apportioned, or how is it done, do you know?

Mr. KNIGHT. I do not know. I do not think there has been a practical application of that yet.

The CHAIRMAN. But as a general proposition you can say this, that substantially from the 16th day of November to the time that this one boat got in, Cuban sugar has not been brought to this country.

Mr. KNIGHT. I should say so, and that Cubar sugar awaiting shipment has been lying on the wharves of some of the ports of the Island since the 20th of November or thereabouts, in constantly increasing quantities.

Senator JONES. I believe you said you had not seen any recent bulletins from Willett & Gray?

Mr. KNIGHT. The 27th of December is the last one I have. There is one issued since.

Senator JONES. Here is one of December 28.

Mr. KNIGHT. That is a daily bulletin, is it?

Senator JONES. I suppose it is.

Mr. KNIGHT. I never saw one of those. I am referring to the weekly bulletin.

Senator JONES. Under date of December 26, 1917, here is an announcement of the International Sugar Committee published in this sugar bulletin of Willett & Gray, in which it is stated:

> Purchases, December 24, 60,000 bags, Cuba, December–early January shipment, at 4.985, c. and f.; New York; 20,000 bags, Cuba, December shipment, at 4.96, c. and f., Savannah. New York, December 27, 1917, purchases December 26, 19,000 bags, Porto Rico, December shipment, at 6.005 cents, c. and f., delivered; 30,000 bags, Cuba, clearance not later than January 10, at 4.985 cents c. and f.

Mr. KNIGHT. I had not seen that; *not Willett & Gray, but the bulletin of the American Sugar Refining Co., was read by Senator Jones.*

Senator JONES. "One thousand two hundred bags, San Domingo, 4.749 cents, c. and f., delivered."

The CHAIRMAN. Does that say when it is to be delivered?

Senator JONES. I do not think so.

The CHAIRMAN. Pardon me. Go ahead.

Senator VARDAMAN. To whom was it shipped?

Senator JONES. "New York, December 28, 1917, purchases, December 27, 30,000 bags of Porto Rico, early January clearance, 6.205 cents; 16,400 bags, Cuba, immediate loading, 5.045 cents, c. and f., Boston; 10,000 bags, Cuba, early January clearance, 4.985 cents, c. and f., New York."

Mr. KNIGHT. I had not seen that.

The CHAIRMAN. If that is true, they are not adhering to the 4.60 price, are they, or are they not? I can not get the figures.

Mr. KNIGHT. They are. They are set on a basis of 30 cents ocean freight. However, eliminating the sugars from San Domingo and Porto Rico, it appears that the bulk of this Cuba commitment will not leave the island until about a week hence.

Senator JONES. You did not know that these sugars were being put upon the market and that the price for the new crop of sugar had been quoted at 7.45 in New York, did you?

Mr. KNIGHT. I have not concerned myself with any New York quotations. All my statistics here are the ones I have compiled myself, f. o. b. Cuba.

Senator JONES. And the real point you want to make here is that, with the price of 4.60, the Cuban crop will not be extended and some of this trade-producing sugar in Cuba will have to go out of business?

Mr. KNIGHT. I do, emphatically.

Senator JONES. That is the point you want to make?

Mr. KNIGHT. Yes. I have a cablegram here which I want to read in that connection. I hesitated to bring it in, but in order that there may be no misunderstanding I think I shall read it into the record, if I may have your permission.

Senator JONES. What is the minimum cost of sugar to the producer in Cuba?

Mr. KNIGHT. I have figured that with the exception of the few favored mills, the very largest, whose production, of course, is great, but whose number is few, the basic cost of producing sugar in Cuba, taking into account the recent increases in various factors, is 3.472 a pound.

Senator JONES. Is that the minimum cost of production in Cuba?

Mr. KNIGHT. Yes, sir. This analysis appears in the record. Senator Lodge offered it in the record [indicating].

Senator JONES. It is already in the record?

Mr. KNIGHT. Yes, sir.

Senator JONES. What is the maximum cost?

Mr. KNIGHT. That is a hard question to answer. There must be a maximum cost at some stage to some producers who would be conferring a favor upon themselves and the world in general, of course, if they would get out of the sugar business, just as there is a maximum cost in refining, such as the cost brought out by Mr. Earle, who does not know the sugar business, and it would be better for him and the sugar business if he would get out of the business.

Senator JONES. I have gained some new information. You are familiar with Mr. Earle's ability as a refiner, are you?

Mr. KNIGHT. I have a very high regard for Mr. Earle as an attorney and financier.

Senator JONES. But as a sugar expert you are satisfied he is not competent to conduct the business?

Mr. KNIGHT. I do not think he understands the technique of sugar refining; no, sir.

Senator JONES. Do you?

Mr. KNIGHT. I do not hold myself out to be, but I am sure——

Senator JONES. Then, how do you become a critic of a man who is engaged in the business?

Mr. KNIGHT. By comparing his costs with the costs of his competitors, drawing the only logical conclusion that is possible.

Senator JONES. That is true of a lot of people who are trying to produce sugar in Cuba; they ought to go out of business.

Mr. KNIGHT. For the benefit of themselves and for the industry, undoubtedly many—not a great many, but an appreciable number—of these Cuban producers are really clogging the wheels of production.

Senator JONES. To what point in price do you think they ought to go out of business?

Mr. KNIGHT. It depends on what conditions are. But I will say that question has been answered from a very good authority. The President of Cuba, after having various Government departments make an investigation of the matter, reached the conclusion, prior to the increase in some small factors, that a price of 4.75 f. o. b. Cuba would be a price at which the Cuba crop could be sold so that anyone could realize a fair profit who was justified in staying in the Cuban sugar business, and that with that price fixed the production of Cuban sugar would go on in an orderly, systematic, and constantly increasing manner.

Senator JONES. The price has been fixed at 4.60, as I understand it?

Mr. KNIGHT. Yes, sir.

Senator JONES. And do you understand—is it your judgment—that the difference of 15 cents a hundred pounds will drive a lot of sugar people, producers in Cuba, out of the business?

Mr. KNIGHT. I do, Senator, because the price of 15 cents a hundred pounds on Cuban raw sugar, taken in the aggregate, compared with my estimate of the crop, will bring the total amount involved to a little bit in excess of $10,000,000. This $10,000,000, however, if the sugar should reach the market in the way that we have every reason to believe it would have reached the market under normal conditions of supply and demand, would be distributed, not among all the producers but among those who need it most.

Senator JONES. What percentage of sugar do those produce who will go out of business with 4.60 as the price, and who would stay in on a 4.75 price? What percentage of Cuban sugar do they produce?

Mr. KNIGHT. I should say that the production of Cuban sugar in the participation in which their efforts are essential is 60 per cent of the total crop, although they themselves do not produce it all. Still, their efforts are essential to the maintenance of the stable production.

Senator JONES. In what way?

Mr. KNIGHT. In the supply of cane to mills, so that they can grind throughout a season, rather than suspend.

Senator JONES. How much cane do they supply?

Mr. KNIGHT. These colonos?

Senator JONES. No; I do not mean the colonos. I mean these colonos who will go out of business if the price of sugar is not raised above 4.60.

Mr. KNIGHT. These colonos are an integral part——

Senator JONES. I am not talking about colonos as a class. Some colonos will produce sugar at 4.60 and can do it at less?

Mr. KNIGHT. They can, probably, but the colono system does not turn on an arbitrary depression of the price below the 4.75.

Senator JONES. Here is what I am trying to get at, and if you do not know I wish you would say so, and we will end the controversy: Do you know what percentage of the colonos could not produce sugar at 4.60?

Mr. KNIGHT. Not in numbers or percentage, but I want to give you as concrete an answer as is possible for myself, and I think that it can not be any more concrete from any available statistics. I should say a great proportion, an appreciable proportion.

Senator JONES. The word "appreciable" does not mean much for a record of this sort. What do you understand by "appreciable"?

Mr. KNIGHT. A proportion which must be taken into account when the sustenance of future production is considered.

Senator JONES. Can you not express it in percentage? What percentage of the colonos will be forced out of business unless this price is raised above 4.60?

Mr. KNIGHT. It is hard to fix a numerical qualification of a group of people whose numbers can be increased or decreased by hundreds and thousands by the operation or suspension of the law of supply and demand, because whereas these colonos can immediately become truck gardeners next year without any loss to themselves the only loss is to the production of sugar.

Senator JONES. What I am getting at is, how many of those who have been producing sugar would be forced out of business because their costs will not permit them to sell their sugar at 4.60?

Mr. KNIGHT. Enough to curtail the production below three and a half million tons, or whatever it eventually proves to be.

Senator JONES. How much below?

Mr. KNIGHT. We can fairly assume it will come down to at least what it was last year—3,000,000 tons, about, or a little more—when the industry had similar depressing factors, which were not anticipated.

Senator JONES. Do you mean to leave the inference upon this record that next year's crop—I mean the crop of 1919—will be reduced by half a million tons provided the price of raw sugar in Cuba is not raised above 4.60, and by reason of that fact?

Mr. KNIGHT. If the price is not raised, granting that the present suspended market conditions prevail, I should say that the crop faces a curtailment of production of about that extent.

Senator JONES. I am talking about the price. That is what we are discussing. You say that some of them produce sugar above a cost of 4.60?

Mr. KNIGHT. No, sir. I said some of them produce sugar at a cost which prevents them selling at a profit at 4.60.

Senator JONES. In other words, then, it costs them 4.60, does it?

Mr. KNIGHT. No, sir.

Senator LODGE. It costs them about 3.47.

Mr. KNIGHT. There is an overhead, because these people must live, and they can not eat sugar, they can not wear sugar, nor can they build houses out of sugar. Therefore, they have to purchase their things in a competitive market in return for what they receive in a noncompetitive market.

Senator JONES. All of that goes into the cost of producing sugar, does it not?

Mr. KNIGHT. No, sir; only the manufacturing charges and the financial charges.

Senator JONES. I am not talking about the manufacture; I am talking about this colono system.

Mr. KNIGHT. It costs the planter to produce his cane about $5 for every hundred arrobas.

Senator JONES. I wish you would express that in pounds.

Mr. KNIGHT. The cost to the colono of producing 2,500 pounds of cane is about $5. That is a minimum cost.

Senator JONES. Producing how much?

Mr. KNIGHT. Twenty-five hundred pounds of cane.

Senator JONES. Get at the sugar.

Mr. KNIGHT. Yes, sir. He would receive on his normal contract about 162½ pounds of sugar.

Senator JONES. One hundred and sixty-two and a half pounds of sugar?

Mr. KNIGHT. Yes, sir; which is equivalent to the cost of production to the planter of elaborated sugar of about 3.4 cents a pound, as compared with the price of 4 cents, which was the average selling price, exwarehouse, in Cuba for the past season.

Senator JONES. Then, the actual cost to the colono is about 3½ cents a pound?

Mr. KNIGHT. Less than that.

Senator JONES. A little less than 3½ cents?

Mr. KNIGHT. Yes.

Senator JONES. If that is what it costs him, do you think he would go out of business if selling that at 4.60?

Mr. KNIGHT. He does not. The price f. o. b. Cuba is 4.60, not the price in the interior. This sugar must be transported and hauled from the mill to the seaboard.

Senator JONES. How much is that? What is the cost of hauling from the mill to the seaboard?

Mr. KNIGHT. That varies in different localities. Of course, it is small in the eastern part, where the different mills are close to the seaboard. It is greater in the western and central parts, where the mills are isolated.

Senator JONES. Tell how much?

Mr. KNIGHT. It varies. I might say that Willett & Gray mention that the cost of transporting sugar was as high as a cent and a half a pound in some parts of Santa Clara in the 1916 crop, although that was exceptional.

Senator JONES. I mean ordinarily. You are very familiar with conditions down there and all of the economic conditions. Tell me, now, what are these freight rates from the sugar mills to the seaboard?

Mr. KNIGHT. They would run on the pound, an ideal mill, about——

The CHAIRMAN. Do you mean "typical" when you say "ideal"?

Mr. KNIGHT. A high-efficiency mill, from which calculations could be made.

Senator JONES. Does it make any difference whether it is a high-efficiency mill or a low-efficiency mill, so far as the freight rate is concerned?

Mr. KNIGHT. It would, because the larger mills, the high-efficiency mills, are close, and have their own railroads and their standard-gauge railroads, while the small mill has to depend on a narrow gauge.

Senator JONES. All right. Tell us what the freight rate is to the seaboard.

Mr. KNIGHT. About 48 cents on 200 pounds, which would be less than a quarter of a cent a pound.

Senator JONES. Then, it costs less than 3½ cents a pound to produce it and less than a quarter of a cent a pound to freight it to the seaboard?

Mr. KNIGHT. Yes, sir.

Senator JONES. That would be less than 3.75?

Mr. KNIGHT. And there is a Cuban Government tax of 20 cents a bag on 320 pounds, or one-sixteenth of a cent a pound. That would be six one-hundredths.

Senator JONES. That would make it less than 3.80. If the total cost of the sugar to the colono on the seaboard is a little less than 3.80, do you think he would go broke, or go out of business, by getting 4.60 for it?

Mr. KNIGHT. There are other factors. His selling price, ex warehouse, for the last year's crop, was a little in excess of 4 cents.

Senator JONES. How is that?

Mr. KNIGHT. The price the colono received, ex warehouse, for his sugar——

Senator JONES. What do you mean by " ex warehouse"?

Mr. KNIGHT. The burden of overhead—to send it, to ship it—to be assumed by the buyer rather than by the colono.

Senator VARDAMAN. May I ask if you have any data which would enable you to give the average production of a colono? That will answer Senator Jones's questions.

Mr. KNIGHT. There is none available here, so far as I know.

Senator VARDAMAN. The individual produces a very small quantity?

Mr. KNIGHT. That is true.

Senator VARDAMAN. A thousand pounds?

Mr. KNIGHT. No; more than that.

Senator VARDAMAN. How much would you suppose?

Mr. KNIGHT. I can give you a fair typical average. I should say 10,000 pounds.

Senator VARDAMAN. If it costs him about 3.80 or 3.90, that would give him about 70 cents a hundred. How much would that be?

Mr. KNIGHT. That would be about $700 on his season's operations, net.

Senator VARDAMAN. That is the total amount he would produce, and he has to pay his rent out of that?

Mr. KNIGHT. Yes.

Senator VARDAMAN. Which would leave him about $300?

Senator JONES. As I understand it, the rent cost is all figured in the cost of production.

Mr. KNIGHT. We are figuring the rent of his home, are you not, Senator Vardaman?

Senator VARDAMAN. So that the cost of rent you did not figure in the cost of his land, did you?

Mr. KNIGHT. No, sir.

Senator VARDAMAN. That is the total amount raised by this laborer.

Senator JONES. No. As I understand the witness, that is the cost to the colono after all his expenses are paid, and excluding the share of sugar which goes to the mill or the owner of the land.

Mr. KNIGHT. Yes. That would be the colono's net at the end of the season.

Senator LODGE. He does not get the 4.60 f. o. b.; he never gets the f. o. b. price, does he?

Mr. KNIGHT. Certainly not, if he sells ex warehouse, because he has no transportation facilities of his own to move it to the seaboard. That is why I purposely left the colono's expenses out of this analysis, because an analysis could not be fairly made and include the colono.

Senator JONES. I thought you said the colono produced about 60 per cent of all the sugar in Cuba.

Mr. KNIGHT. He does.

Senator JONES. Is it not important to know what the cost of that production is to the colono?

Mr. KNIGHT. The colono does not produce the sugar. He raises the cane. It is the mill which produces the sugar, and pays the colono in sugar, which he gets the price for. He is paid at the mill. He is not paid at the seaboard. The price at the mill is determined f. o. b.

Senator JONES. What is the price at the mill?

Mr. KNIGHT. That varies with the location of the mill.

Senator JONES. How is that fixed?

Mr. KNIGHT. Some mills, as I say, can sell more cheaply than others.

Senator JONES. The only difference is the freight rate to the seaboard, is it not?

Mr. KNIGHT. And the means of transportation.

Senator JONES. What means of transportation other than getting it to the seaboard?

Mr. KNIGHT. It costs more to haul sugar by team, or on a narrow-gauge railroad, which as to be replaced after the rainy season every year, than it would on a standard-gauge railroad.

Senator JONES. I understand that, and I say that is the only difference, is it not, the difference in the cost of the freight from the mill to the seaboard?

Mr. KNIGHT. The colono, of course, has to buy his fertilizer and various other things. We can not figure those things in.

Senator JONES. I thought you said that the cost to the colono for the production was this 3.47. Does not that include fertilizer?

Mr. KNIGHT. It would; yes, sir.

(Thereupon, at 5.20 o'clock p. m., the subcommittee adjourned until Saturday, January 5, 1918, at 10.30 o'clock a. m.)

SHORTAGE OF SUGAR.

SATURDAY, JANUARY 5, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m. and proceeded to hear a witness on the subject of coal, after which the sugar inquiry was resumed.

TESTIMONY OF J. V. KNIGHT—Resumed.

Mr. KNIGHT. May I be permitted to read the information which was requested at the outset of my examination yesterday relative to the production of what I originally stated to be the two, and which later developed to be the three, large American companies in eastern Cuba?

Senator LODGE. Yes. That statement was incomplete. We shall be glad to have it.

Mr. KNIGHT. I have supplied the figures to the reporter. The percentage also figured in the question.

The Cuban-American Sugar Co. for the season just closed produced 298,208 tons of raw sugar. For the previous season they produced 268,310 tons—an increase of about 10 per cent.

The Cuba Cane Sugar Co. for the season just closed produced 452,035 tons; for the previous season 484,000 tons—a decrease.

The United Fruit Co., with its subsidiary, which is under the same ownership, the Nipé Bay Co., produced in the season just closed 107,302 tons; in the previous season 128,446 tons.

Senator LODGE. What is that in the aggregate—the production of this year, I mean?

Mr. KNIGHT. The aggregate is 857,545 tons—approximately 25 per cent.

Senator LODGE. A little more than 25 per cent; less than 30 per cent.

Mr. KNIGHT. Those are three companies in the eastern part. There are others, but these are the——

Senator LODGE. You mean there are other large mills of the class you call high-efficiency mills?

Mr. KNIGHT. Yes, sir; but they are few in number, though each individual mill has large production; and they constitute the remainder of the 40 per cent to which I constantly referred yesterday.

Senator JONES. Mr. Knight, yesterday evening when we adjourned we were discussing the question of the cost of producing sugar by the colono. What information have you as to that cost?

Mr. KNIGHT. Fragmentary information, principally that compiled by the management of the West Indian branch of the National City Bank; but as to quoting a statistical cost for the production of Cuban raw sugar by colonos, it is as difficult as quoting the basic cost of an egg; it is susceptible to so many variations in different localities and under different conditions.

Senator JONES. And it has been so difficult that you have never undertaken it, have you?

Mr. KNIGHT. I have not. I do not think it has ever been undertaken, except in typical cases and for statistical purposes it may have been undertaken by several agencies.

Senator JONES. Why was it, then, that you were able to tell us yesterday that with the price of Cuban raw sugar at $4.60 f. o. b. Cuba, a lot of the colonos would go out of business, but if the price were $4.75 they would prosper and others would engage in the business?

Mr. KNIGHT. I based that statement of belief—and with me it amounts to a conviction—upon data which was assembled by the Cuban Government's departments at the request of the President of Cuba, and which was calculated down there, and upon the basis of which the request of a c. and f. price of $4.75 was made by him.

Senator JONES. Then you did not make any original, first-hand investigation of the subject?

Mr. KNIGHT. No more than any one else in the United States had made, except that the Food Administration made an investigation prior to certain rising costs.

Senator JONES. Then, to use a commercial phrase, you have been a dealer in second-hand information?

Mr. KNIGHT. As we must all be when we seek the compilation of statistics upon such a nebulous and variable method or means of food production.

Senator VARDAMAN. It is a common conclusion that a man who is cultivating sugar with the crooked stick, as some of the men plow in Cuba, can not compete successfully with the man who cultivates his ground with modern implements.

Mr. KNIGHT. That is true.

Senator VARDAMAN. That is the basis on which you make your statement that some would go out of business?

Mr. KNIGHT. Yes, sir. They do not really use the crooked stick, but they use what would be considered here an archaic type of plow, because the ground is very susceptible to turning with an ordinary old-type plow. It has been the experience of those who are investigating the colono's welfare that he has a tendency to turn back his profits into improved facilities, because by increasing his facilities he is helping himself.

Senator JONES. Mr. Knight, I believe you stated that you were a mere volunteer here, and that you did not come in any representative capacity. Is that true?

Mr. KNIGHT. I was here on the 14th to see a member of this committee on another matter, Senator Broussard of Louisiana, and he suggested that I might be interested in the deliberations here. When I came up to the place where the committee was holding sessions formerly, in the Capitol, I was introduced to two members of the committee by a friend in Washington; and what I had already heard

in the testimony impelled the conviction in my mind that Cuba had been discussed with great freedom but with little authoritative information, and it was then that my present attitude was determined and fixed, that of placing myself at the disposal of the committee to give them any information regarding Cuban sugar conditions with which I was familiar. Since then, in Washington, as requested or intimated, I have prepared whatever data you have seen here in my possession, none of which I brought with me. I prepared it here in Washington from time to time, as I thought it might be of value in determining the part that Cuba must play in producing the sugar crop of the world.

Senator JONES. What is your particular avocation at the present time?

Mr. KNIGHT. My particular avocation at the present time is testifying before this committee. My vocation is as stated by me yesterday.

Senator JONES. Your avocation is testifying before this committee?

Mr. KNIGHT. Yes, sir; at present.

Senator JONES. Are you following your vocation except as a witness here before the committee?

Mr. KNIGHT. Why, I try to; not particularly—possibly in a way that would not interfere—but I am very busy in my work.

Senator JONES. What is your work?

Mr. KNIGHT. I will read from page 1650 of the record:

I am a contributor to the trade and technical press in matters relating to Cuban commercial affairs, principally with regard to tobacco and sugar, and I compile statistics on Cuban commercial lines, in relation to the agricultural output of the island, and perform kindred service which relates to Cuban commercial interests.

Also, now I am undertaking the supervision of an exhibit of the National Foreign Trade Council, which will have to do with the imports and exports of Cuba to this country, which, of course, are principally sugar and tobacco.

Senator JONES. I suppose you get some compensation for that, do you?

Mr. KNIGHT. Indeed I do, Senator, or I would not be doing it.

Senator JONES. I supposed so.

Mr. KNIGHT. I am sorry I do not get as much as I think I ought to have, but——

Senator JONES. From whom do you get it?

Mr. KNIGHT. From publications which print my contributions to some extent; from news syndicates which receive information from my office, and——

Senator JONES. What news syndicates?

Mr. KNIGHT. The photographic syndicates I referred to; Brown and Dawson are one of them; and from the usual sources when a person is in the business of furnishing commercial news; and also from the Presidencia in Havana on news matters, matters relating to news only, the dissemination of news. The mechanical facilities of my office are utilized in the dissemination of news.

Senator JONES. What are the mechanical facilities?

Mr. KNIGHT. Mailing facilities such as are in many Washington offices, such as are in Government departments.

Senator JONES. Or, in other words, you conduct a publicity business?

Mr. KNIGHT. I do not—not public publicity business; not in the general acceptance of the term. There are publicity businesses conducted which are at the disposal, and the opinions of whose directors are at the purchase, of whatever interests need them; but I am not in that category. I should like to distinguish that. "Publicity" is a much overworked word. If a Senator makes a speech and it is published, that is publicity; but if a person issues reams of matter which tends to be propaganda rather than news, he ceases to become a publicizing agent, and becomes a press agent; and I should like to disabuse your mind from any impression that I might be in the latter category.

Senator JONES. Then the thing that prompted you to come before the committee and tender your good services——

Mr. KNIGHT. Good offices.

Senator JONES. Well, yes.

Mr. KNIGHT. I did not know whether it would be of any service or not, Senator.

Senator JONES. The thing that prompted you to do that was the fact that you were familiar with statistics, and so on, and that you were able to compile the information which might be gathered from the statistics?

Mr. KNIGHT. No, sir; I came, not as a statistician, but I came before the committee as one acquainted with the situation as regards the production of Cuban sugar.

Senator JONES. Did you not tell me a moment ago that you knew nothing about the cost of producing Cuban sugar except what you gathered from the work of somebody else?

Mr. KNIGHT. The term "compilation" comprehends that. You asked me what it costs a colono to produce a pound of sugar. I told you that was about as difficult to arrive at as the basic cost of an egg, and it is.

Senator JONES. And you have never attempted it?

Mr. KNIGHT. No.

Senator JONES. Then, why were you able to say that a difference of 15 cents a hundred in the price of Cuban raw sugar would bankrupt a lot of people down there who are termed colonos?

Mr. KNIGHT. I did not say it would bankrupt them, but I said——

Senator JONES. You said it would put them out of business.

Mr. KNIGHT. I said it would put them out of the sugar business; but lest you should think that I had bankruptcy in mind, I immediately stated the alternative, which was that they would immediately go to raising vegetables and other foodstuffs which they could sell at their door. That would not mean bankruptcy, but it would mean that they were no longer producers of sugar.

Senator JONES. They would go out of the sugar business?

Mr. KNIGHT. Yes, sir.

Senator JONES. Because of a difference of 15 cents a hundred?

Mr. KNIGHT. Yes, sir.

Senator JONES. What enables you to make such a close calculation as that, if you have never given any effort to obtaining first-hand information, and it is such a difficult job to obtain that information?

Mr. KNIGHT. I realize that any efforts that any one might make, since this information is available to this committee, would be very poor indeed by the side of the efforts which the Cuban Government

itself had made recently, and which resulted in arriving at a figure of $4.75 f. o. b. Cuba.

Senator JONES. That Government has agreed upon a price of 4.60, has it not?

Mr. KNIGHT. In the sense that the term "agreed" is an elastic term; so I understand it. I am not sponsor for any Government in this matter.

Senator JONES. I do not think the word "agreed," in this instance, is an elastic term. I understand that that price of $4.60 has been absolutely agreed upon.

Mr. KNIGHT. Yes, sir; it has.

Senator JONES. Then there is nothing elastic about that.

Mr. KNIGHT. A tender of $4.60 was made to the Cuban commission, and after various preliminary parleys, it was accepted.

Senator JONES. Do you think the Cuban commission would have accepted it if it had been of the opinion that a great many people would quit the industry and go into something else?

Mr. KNIGHT. I can not pass judgment upon what the Cuban commission did.

Senator JONES. No; I do not believe you can, either. Now, you made complaint yesterday that a large amount of sugar of the new crop was being produced in Cuba, piling up on the docks and not being moved to this country.

Mr. KNIGHT. I did not make complaint, Senator; I stated——

Senator JONES. You stated it as a fact.

Mr. KNIGHT. I stated that I had been so informed; yes.

Senator JONES. You had been so informed?

Mr. KNIGHT. Yes, sir.

Senator JONES. Now, I will read you a telegram which has come here from Mr. Manuel Rionda. Do you know him?

Mr. KNIGHT. No, sir. I know who he is. There are two Manuel Riondas—Manuel Rionda, sr., and Manuel Rionda, a nephew.

Senator JONES. This is the one that is now in New York.

Mr. KNIGHT. There are two of them.

Senator JONES. Two of them, are there?

Mr. KNIGHT. Yes, sir. One is president of the Cuba Cane Sug Co. and the active factor in the Czarnikow-Rionda Co., which is t sales agent for the Cuba Cane Sugar Co.; and the other one, Man Rionda the younger, is——

Senator JONES. This is the one who represents the Cuban p ducers' committee. Which one is he? He is the one you have j been telling about?

Mr. KNIGHT. I did not know that there was a Rionda on t Cuban producers' committee as announced.

Senator JONES. Oh! You did not know that the Cuban produc had a committee, then?

Mr. KNIGHT. Oh, yes. You mean the Cuban Sugar Commissi which visited the United States and conferred with the Internatio Sugar Committee?

Senator JONES. I have received this telegram, signed "Cuban P ducers' Committee, Manuel Rionda." Have you any idea who t Manuel Rionda is?

Mr. KNIGHT. He probably is the president of the Cuba Cane Sug Co.; yes, sir.

Senator JONES. I will read this telegram. It is directed to Mr. Rolph, of the Food Administration here in Washington, and is dated January 5.

(The telegram referred to was read aloud by Senator Jones of New Mexico, was marked "Exhibit No. 184," and is here printed in full in the record, as follows:)

NEW YORK, *January 5, 1918.*

G. M. ROLPH,
Food Administration Building, Washington, D. C.

Total shipments from Cuba to the United States in December 30,855 tons, which is equal to normal and exceed last year's shipments for the same month Since January 1 175,000 bags have been shipped to the United States. There are 32,000 tons, approximately, now loading, and steamers have been declared for 40,000 tons to be shipped during the month of January for the rest of this month. Not getting tonnage as fast as we would like, but expect more steamers available as soon as coal for bunkers is more plentiful. Only one steamer left Cuba in ballast, and it was because the captain would not change ports and there was no sugar at the port where she was. Of the first plantations that started grinding in November named Palma, 4,000 tons have been shipped.

CUBAN PRODUCERS' COMMITTEE.
MANUEL RIONDA.

Senator JONES. You did not have that information yesterday when you were testifying, did you?

Mr. KNIGHT. I stated that the last information which I had was up to December 27, the Weekly Statistical Sugar Trade Journal, which states that receipts for the week from Cuba were 2,381, as opposed to 7,099 the year before, a decrease of 4,718, and since then there has been an increase in the amount of the sugar reaching New York and other Atlantic ports from Cuba; but, of course, as Mr. Rionda said, the shipping situation is not entirely satisfactory.

Senator JONES. But I think you said yesterday, in answer to a question by the chairman, that there was no money available for the purchase of sugar down there in Cuba?

Mr. KNIGHT. Let me refer to that. I want to be specific. I do not think I expressed it that way, Senator. I did not state it that way. In response, I think, to a question by the chairman—the record will show—I stated that so far apparently there was not money there, with correlative ideas which rid my remark of the positive assertion that there was no money there.

Senator JONES. Just read what you did say.

Mr. KNIGHT. I will find it. I was asked by the chairman on page 1781 of the stenographic transcript:

There is nobody to buy it except the International Committee?

Nobody except the International Sugar Committee, and the International Sugar Committee has not yet shown up there with the money to buy. The situation amounts to that.

That is as of December 27, of course—the date of my last information.

Senator JONES. And your answer was what?

(By request, the reporter read the answer of Mr. Knight, above set forth.)

Senator JONES. Oh! That was your answer?

Mr. KNIGHT. "The situation amounts to that."

Senator JONES. Now, you testified as follows:

The CHAIRMAN. Further than that, what is the condition, if you know, with reference to boats for sugar, even if there was any sold? Are there any boats now that are accessible or not?

And your answer was:

There are cargo vessels making regular sailings between the Cuban ports and the Atlantic ports as heretofore.

And then you go on with the curtailment. You finally stated—I do not have it just in front of me—or, rather, you left the impression upon my mind, that there were vessels here. You told about the sugar being accumulating; that sugar has been accumulating ever since. I read as follows from the record of yesterday:

The CHAIRMAN. And no arrangement has yet been made to get the sugar to this country

Mr. KNIGHT. I do not know as to that, but none of the sugar which has been produced and which normally would be on its way to this country has reached here.

You simply did not have late information in regard to that?

Mr. KNIGHT. I should not have said "none." I should have said "little." I was in error in that.

Senator JONES. I read again, as follows:

The CHAIRMAN. What is the reason that it has not come? Is it because the refiners of this country were formerly the only market for the sugar, and they are no longer at liberty to buy?

Your answer to that was:

Mr. KNIGHT. Possibly. There is no competitive market for the Cuban sugars.

Then you stated somewhere that boats were coming back here in ballast. On what information did you make that statement?

Mr. KNIGHT. I think the record shows that I said I had been informed. I did not make the statement positively; I qualified it somewhat, because I wanted to give it only for what the report was worth.

Senator JONES. Yes. I think you said you were informed. Now, who informed you?

Mr. KNIGHT. I heard the report from a man in the sugar industry since I came to Washington. I had heard allusions to it in New York, as well.

Senator JONES. From what man in the sugar industry?

Mr. KNIGHT. Mr. Lamborn.

Senator JONES. Mr. Lamborn?

Mr. KNIGHT. Yes, sir.

Senator JONES. Did he tell you how many vessels had come back to this country in ballast?

Mr. KNIGHT. No, sir; I did not ask him.

Senator JONES. Did he say that only one had come?

Mr. KNIGHT. I do not recall. It is not unusual for boats to come from Cuban ports to Atlantic ports in ballast; but the unusual thing that made me retain it in my mind was that they should come in ballast at this particular time.

Senator JONES. I see; and so upon that information you were willing to leave the impression here that boats were coming in ballast to this country, and sugar was piling up in the ports of Cuba, and was not being moved? That was the impression which you wanted to make on this committee, was it not?

Mr. KNIGHT. It was not; and I am sure that the straightforward character of my answers in matters upon which I had positive knowledge, and the qualifications of all matters upon which I could not speak so positively, will show that there must have been——

Senator JONES. It is true that you gave that upon information?

Mr. KNIGHT. I qualified it throughout, in response to questions from the chairman. I did not bring up the information voluntarily; but when I was asked about it I qualified it, governed by my constant attitude, to be of service as much as possible, and not to get anything into the record that would be susceptible of such interpretation as your questions comprehend.

Senator JONES. Yesterday, in response to a hypothetical question asked by the chairman, you said you thought that the dumping on the market of 800,000 tons of beet sugar would have lowered the price if that had been done without any interference by those dealing with the sugar question. Have you ever heard of 800,000 tons of beet sugar being accumulated, so that it could be dumped on the market?

Mr. KNIGHT. I stated that it would have a depressing effect upon the refined sugar market, naturally.

Senator JONES. Did you ever know of any such supply being accumulated as 800,000 tons of beet sugar?

Mr. KNIGHT. I did not.

Senator JONES. No.

Mr. KNIGHT. That was why I had to give the hypothetical answer which I did give.

Senator JONES. Yes; but, taking the question and the answer together, it was calculated to leave the impression here that there was a supply of 800,000 tons of beet sugar to be dumped on the market?

Mr. KNIGHT. I predicated all consideration of the amount, 800,000 tons, apart from the questioning by the chairman, upon a matter of record, which is a bulletin of the Public Information Division of the United States Food Administration, where that figure originated.

Senator JONES. Yes. There is not any controversy about the quantity of beet sugar which is likely to be produced in this country. I think it is in the neighborhood of 800,000 tons. But that sugar comes upon the market very gradually. It is ground in a gradual way, the same as the Cuban sugar, and there is no 800,000 tons to be dumped on the market.

Mr. KNIGHT._At any time. no, sir; and the expression "dumped on the market" does not occur in the record, which bears out what I have just stated. The expression was "fill the gap."

Senator JONES. Yes; that 800,000 tons; "fill the gap." What gap?

Mr. KNIGHT. The gap described by the Food Administration circular, as follows:

> The beet-sugar production of about 800,000 begins to come into the market during the month of September, and should furnish the bulk of supplies between then and the first of next year.

That would be three and a half months.

Senator JONES. You are not acquainted with the beet-sugar industry of this country, are you?

Mr. KNIGHT. I am not.

Senator JONES. Then we will not pursue it any further. That is all.

Senator VARDAMAN. There are no further questions, Mr. Knight.

(At 4.40 o'clock p. m. the subcommittee adjourned until Monday, January 7, 1918, at 10.30 o'clock a. m.)

SHORTAGE OF SUGAR.

MONDAY, JANUARY 7, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

EVENING SESSION.

At 7 o'clock p. m. the subcommittee reassembled, pursuant to the taking of recess.

Present: Senators Reed (Chairman), Vardaman, Jones, and Kenyon.

TESTIMONY OF MR. ARTHUR H. LAMBORN.

(The witness was sworn by the chairman.)

The CHAIRMAN. Where is your place of residence?

Mr. LAMBORN. Montclair, N. J.

The CHAIRMAN. What is your business?

Mr. LAMBORN. Sugar broker and sugar merchant.

The CHAIRMAN. How long have you been in the sugar business?

Mr. LAMBORN. Since 1889, starting first as a clerk. I went into business for myself in July, 1891.

The CHAIRMAN. How extensive has been your business as a broker?

Mr. LAMBORN. Very extensive, and for the past three years international.

The CHAIRMAN. What do you mean when you say it has been international?

Mr. LAMBORN. We have as brokers supplied the allies with perhaps 50 per cent of their refined sugar. We have probably supplied the neutrals with not less than 60 to 65 per cent of all the sugar exported from the United States to the neutrals in the last three years

The CHAIRMAN. When you say "we," do you mean you

Mr. LAMBORN. Yes.

The CHAIRMAN. Of what does your firm consist?

Mr. LAMBORN. We have had since the 1st of January ners in the firm of Lamborn & Co. Prior to that we had a sisting of nine partners and a corporation. The corporat out of existence on the 1st day of this month.

The CHAIRMAN. Have you been the senior member of t nership?

Mr. LAMBORN. Yes.

The CHAIRMAN. Have you represented in any way any of cies of the foreign governments?

Mr. LAMBORN. I personally have connection with the r mission on sugar supply in handling all of the ships, wheth sugar or refined sugar, leaving ports of Cuba or the United

The CHAIRMAN. For the royal commission of England?

Mr. LAMBORN. For the royal commission on the sugar supply, representing the British Admiralty and the Hudson Bay Cos., handling the sugars for France. It has no connection with our general business.

The CHAIRMAN. That has been a personal matter?

Mr. LAMBORN. It has been, but my partners and employees have had to attend to the details of the business.

The CHAIRMAN. How long have you had that relationship?

Mr. LAMBORN. On the 4th of August, when England entered the war, I offered my services in any capacity whatever, free of expense to Great Britain, and in September I was appointed the agent handling the tonnage.

The CHAIRMAN. Have you some letters or credentials?

Mr. LAMBORN. I have many letters and cablegrams from the royal commission, but the only thing that I have with me at the present time is a copy of the letter of introduction which Lord Northcliffe gave me to Mr. Hoover.

The CHAIRMAN. Would you let us see that—that is, if you do not regard it as personal?

Mr. LAMBORN. I do not think it is personal in this sense. Here is the copy.

The CHAIRMAN. This is a true copy?

Mr. LAMBORN. That is a correct copy.

(The copy of the letter referred to by the witness was marked "Exhibit 205," and is herewith printed in the record as follows:)

EXHIBIT No. 205.

BRITISH WAR MISSION.

[Office of the Chairman, Lord Northcliffe, 681 Fifth Avenue, New York City.]

MY DEAR MR. HOOVER: I wish to introduce to you Mr. A. H. Lamborn, who has handled the interests of the royal commission on sugar in New York to their highest satisfaction. You spoke to me about sugar, and especially Cuban sugar, last week, and I wish Mr. Lamborn to go into this question and any others concerning the exports to the allies.

Mr. Lamborn, as you probably know, has done great work for Britain ever since the very outbreak of the war, when he volunteered his services to our Government, and he is only desirous to be of further service to the allied cause. I hope you will discuss fully and freely all the points on which your Government and ours are concerned.

Mr. Lamborn has handled every ship carrying either raw or refined sugar to Great Britain and the European allies, whether from America or Cuba, since August, 1914.

Yours, cordially,

NORTHCLIFFE.

AUGUST 28, 1917.
HERBERT HOOVER, Esq.

The CHAIRMAN. Are you interested in sugar yourself, you or your firm?

Mr. LAMBORN. Not only myself, but my firm and corporation owns stocks in many sugar companies.

The CHAIRMAN. Will you tell us the companies in which you own stock?

Mr. LAMBORN. We own a fair holding in the American Sugar Refining Co., a fair holding in the Holly Sugar Co.

The CHAIRMAN. What do you mean by a fair holding? I do not want to inquire into your private business, but if you can be a little more specific on that I wish you would tell us.

Mr. LAMBORN. We have owned 500 shares of the American Sugar Refining Co. stock for about a year and a half, and not long ago we purchased 600 shares more.

The CHAIRMAN. What is the par value of that?

Mr. LAMBORN. One hundred dollars. We have a larger holding in the Holly Sugar Refining Co. We have about an equal holding in the Savannah Sugar Co., and we have quite large holdings in the Puenta Allegre Co., in Cuba, and similar holdings in the Cuban Cane Corporation, and a smaller holding in the Cuban-American Sugar Co.

The CHAIRMAN. Is your interest in the American Sugar Refining Co. only $60,000?

Mr. LAMBORN. No; we have $110,000 par value, and it is just selling at par to-day.

The CHAIRMAN. I understood you to say you had 600 shares.

Mr. LAMBORN. We bought 500 shares first, and then 600 shares later, about nine months ago.

The CHAIRMAN. So that you have a substantial interest in the trade of the sugar companies. Are you interested in any way in sugar lands or plantations?

Mr. LAMBORN. Only as a stockholder. We have very considerable holdings in the different plantations in Cuba, in a number of those that I have mentioned.

The CHAIRMAN. In the aggregate about what is the value of your sugar holdings all told, refinery and everything else?

Mr. LAMBORN. I would rather express it in this way: We have never made a statement of our affairs, but it is between $1,000,000 and $2,000,000.

The CHAIRMAN. It is hardly necessary to ask the question, but your business has led you, of course, to study world conditions in regard to sugar—sugar production, sugar distribution, sugar marketing, etc., for a number of years.

Mr. LAMBORN. I have endeavored to make a careful study for many years, particularly the last three years.

The CHAIRMAN. Does your firm as well as doing a foreign business, do a domestic business?

Mr. LAMBORN. We do an extensive sugar business in refined sugar and a larger business in raw sugar.

The CHAIRMAN. I wish you would tell the committee as briefly as you can, what is the ordinary machinery by which sugar is produced, manufactured, refined, and distributed to the ultimate consumer.

Mr. LAMBORN. I presume you are speaking of raw sugar, not manufactured beet sugar.

The CHAIRMAN. I mean beginning with the raw sugar, to carry it through to the ultimate consumer, from the beginning on.

Mr. LAMBORN. In many countries irrigation is used, but in Cuba there is very little irrigation; only a very few plantations use it. Most of the cane is grown by the colonos in Cuba. Some cane is grown by the administration; that is, by the owners of the plants. The cane is planted and is ready for the market in 18 months, sometimes in 12 months, depending upon the time of the year when it is planted. When it is cut it is carried to the mill, usually by carts, to the narrow-gauge or to the broad-gauge railroads of the plantations themselves.

The CHAIRMAN. Do they plant every year?

Mr. LAMBORN. They do not in Cuba. They frequently go from 8 to 10 years in Cuba, and sometimes even longer. After the cane is brought to the mill it is ground and the juice boiled until it has crystallized, the sirup run off in a centrifugal machine, and then it is bagged and loaded on to cars, or taken to the warehouse if the plantation is at the water, or taken to the ports if the plantation is some distance from the port. It is then either held at the ports for steamers or immediately loaded on steamers and shipped to various ports of the world.

The CHAIRMAN. Let us follow the manufacturing process through, and then we will go back to the method of marketing. When that sugar is loaded on these steamers, where does it go for refining?

Mr. LAMBORN. It goes to the ports in the United States where the refineries are located or to European ports, principally in Europe, to London, Liverpool, Grenock, Glasgow, Marseille, and Havre. In the United States, to New York principally, to Philadelphia next, next to New Orleans, and then Boston, and now Savannah. Of course there is refining done on the Pacific coast, but that is taken care of by the Pacific Ocean sugar.

Senator VARDAMAN. There are no refineries in Cuba?

Mr. LAMBORN. There are two small refineries in Cuba, one at Matanzas and one at Habana, but they are small. A great deal of the sugar used in Cuba is raw or washed sugar.

The CHAIRMAN. When this sugar has been refined it then goes to the trade, of course. Now, I want to get back and trace the method of marketing. You have traced the method of manufacture. When this sugar is turned out, is taken by the colonos to the mill, and turned into raw sugar there on the plantations in Cuba, what are the means that have grown up by which that sugar is purchased and sent to the market?

Mr. LAMBORN. There are two methods used in Cuba—two principal methods. There are large banks with headquarters in New York or in Canada and branches throughout Cuba, or with main offices at Habana, with branches throughout the island. These banks lend money to the colonos and the centrales, the owners of the mill, during what is called the dead season, which runs generally from the 1st of July to the 1st of January, and they draw this money, 10 or 20 per cent per month until it is exhausted, during those six months, and from the first sugars sold by those centrales when the sugars are marketed in New York or elsewhere the banks receive their funds, a certain proportion of the amount of money is withdrawn from each invoice and paid back to the banker who loaned the money. The colono, depending upon his location in the island and the efficiency of the mills, receives a proportionate basis according to the weight of the cane—that is, he gets in sugar either 4 per cent, 5 per cent, 6 per cent, 7 per cent, and in some cases 8 per cent, of the actual weight of the cane, regardless of its sucrose content, for his labor in tilling and cutting and delivering that sugar cane.

The CHAIRMAN. That is interesting, and I am glad to have it; but the question I am pursuing now is, when the sugar has been ground at the mill, who buys it? Is there somebody there to buy or ship it to the market?

Mr. LAMBORN. When it is under the colonos system, the colonos receive the sugar in one sense The central takes the sugar, and he

receives his own proportion and sells the colonos sugar in the market at prices set by the college of brokers in Habana twice a month. Usually the colono sells his when the central sells his, in order to pay back his dead season advance to the central.

The CHAIRMAN. The point I am getting at is this: I want to know if there is some one who visits this Island of Cuba to buy sugar, or how these people sell their sugar.

Mr. LAMBORN. They sell it usually through the Spanish-Cuban merchants in the different cities, the principal cities throughout Cuba. They buy these sugars.

The CHAIRMAN. Who?

Mr. LAMBORN. These merchants.

The CHAIRMAN. That is what I want to know.

Mr. LAMBORN. These merchants who borrow money from the banks, and the banks advance these merchants so many dollars per bag if the merchant wants to store the sugar. If the market is good to buy on, he stores the sugar in the different ports. Bids are made by the refiners or the merchants or brokers from New York and Philadelphia for those sugars, or to the planters direct. Some planters have an agency in New York, and the brokers in those markets make bids to the agents right in New York.

The CHAIRMAN. Briefly, it amounts to this, that when the sugar has been ground out in the mill there are local merchants ready to buy it.

Mr. LAMBORN. Yes; many of them.

The CHAIRMAN. And those local merchants in turn sell the sugar to the representatives of the refineries principally?

Mr. LAMBORN. No; not to representatives of the refineries. They sell it to brokers or merchants, like ourselves.

The CHAIRMAN. When this broker gets the sugar, for whom is he buying—for himself or for a customer?

Mr. LAMBORN. If we are acting as merchants, we buy it for ourselves. In many cases the merchants will offer, say, 5,000 tons of sugar to-day at a price. If the refiners will not buy it, they will instruct a brokerage house to sell it on the exchange, and when their sugar is ready for shipment they will either sell and deliver it in New York against these exchange contracts, or, if the refinery is in the market for the sugar, when it is afloat or arrives in port they will buy back the contracts they have made in the exchange and sell the sugar to the refiner.

The CHAIRMAN. The amount of it all is this, that when the sugar is produced in the market there is a good market for it there in Cuba, and that market has its connections with the United States through brokers and agents, and those brokers and agents in turn c
the medium by which the refiners get their sugars, and that, was in constant operation, was it?

Mr. LAMBORN. Yes, it has been. Generally speaking, tha
but there is a necessity for selling the first sugar, particu
sugars produced in February and March, when the season
height and there is not such great necessity later on in M
or July, when the merchant has relieved himself and the c
relieved himself of his dead-season indebtedness, and so he
speculate or handle his sugar as he pleases; and frequently it
that where the merchant is a buyer in the market, and he ha

world-wide conditions the same as the refiners and the brokers have, but has to relieve himself on account of lack of store room, he will sell his sugars and buy on the exchange sugar for future delivery, and, as the exchange markets sell within a few points of each other, he is generally able to buy on the exchange against the sale he may make in February, March, and April at practically less cost than it would cost him to hold his sugars and store them in New York.

The CHAIRMAN. I do not care very much to go into that detail, although it is interesting. The simple point I want to get at is whether under the established system that existed until there was governmental interference there was a machinery by which the sugar as soon as it was manufactured found a good market, was carried to the refiners, and by the refiners turned into refined sugar.

Mr. LAMBORN. There is always a market to those who want to sell it.

The CHAIRMAN. When the sugar got to the refinery, what was the machinery by which the refiner reached the market? Did he sell to the wholesalers?

Mr. LAMBORN. He reached the wholesale and large retail distributors through brokers, who were paid a brokerage of 3 cents a hundred pounds, or 10 cents a barrel, for selling the sugar, and also reached the foreign market through these merchant brokers, like ourselves, who either bought the sugar, trading against it on the exchange, or bought it actually on bids from foreign countries or buyers.

The CHAIRMAN. Was this machinery of trade and commerce that we have been discussing the machinery that was in active competition, each part with the other? Was there active competition for these sugars among buyers who wanted to buy in Cuba?

Mr. LAMBORN. Oh, yes; very great.

The CHAIRMAN. Was there active competition then among the refiners to sell that sugar to the wholesalers?

Mr. LAMBORN. Yes; very marked competition.

The CHAIRMAN. And while we have what we call a sugar trust here—we have been calling it that—the American Sugar Refining Co., as a matter of fact, there was enough competition anyway so that you could say that there was always a lively competition in the sugar market?

Mr. LAMBORN. The sugar market has always been checkered and never dull. That is the best way to explain it, and it is true.

The CHAIRMAN. You have represented the British royal commission since the war began in Europe?

Mr. LAMBORN. I have personally been their agent in handling these ships, but I have been in competition with all brokers, selling them sugar. In other words, I would like to make it clear that we have no sinecure and no preference as far as I know at any time with the British Government since the war broke out as sellers of sugar.

The CHAIRMAN. We have had a very serious sugar shortage, as we all know. That fact, I think, can be taken for granted. I wish you would tell us now what in your opinion is the cause of that sugar shortage or the causes of it.

Mr. LAMBORN. I would rather start at the end of the thing and go back to tell you my opinion, and the reason I would like to start that way is because I have not the confidence of the powers that are running the sugar business, and I have heard testimony here which

is very convincing from Mr. Rolph and from Mr. Hoover, and at the same time their own statements conflict somewhat. I shall start at that point. Mr. Hoover has testified that they did not want the beet sugars to come east of the Allegheny Mountains, and Mr. Rolph has testified that they did want them, and made urgent requests to get cars to move them. If you will go back to August, when the beet sugars commenced to move from California, they were moving freely as far east as Chicago and Terra Haute, Ind., and I do not think south of Terra Haute, and I do not think east of Terra Haute. The beet crop was estimated at 800,000 tons. I think it will be considerably less than that. The Louisiana crop was estimated at 300,000 tons, and I believe about 260,000 tons will be manufactured. The Louisiana crop has moved fairly freely. There have been great delays in shipments, but cars have been going forward.

Now, you asked me what has caused the shortage. Without attempting to criticize, and not having the facts except as they have been testified to here, I would state that the shortage on the Atlantic coast is due to the fact that in the early part of November and in December beet sugars were not moved to the Atlantic coast; but, as I say, the head of the administration states that they did not want them to move east of the Alleghenies, and very few sugars have moved from that territory. There were 1,000,000 tons of sugar——

The CHAIRMAN. You start at the end, the final end.

Mr. LAMBORN. Because I can not form any deduction, because I presumed in August that a great effort would be made. Mr. Rolph told me that a great effort would be made to move the entire crop of beet sugar. and also the Hawaiian sugars from the Pacific coast, over the entire United States as soon as the shortage was apparent in the East; and he told me that on the 30th of August.

The CHAIRMAN. What did you say in that discussion you had with Mr. Rolph about the probable sugar shortage?

Mr. LAMBORN. The exchange had been closed on the 16th of August—he asked me if I thought it was a good thing, and I said that if the Government had not closed the exchange it would have been closed either by a panic or by the board of managers of the exchange before a panic occurred; that in view of this lack of sugar, many people having bought enormous quantities which they hoped to liquidate later on, it would be necessary to put into operation the machinery of the Government, as far as the railroads were concerned, in bringing those western sugars into the eastern markets. He told me that they had that up, and that the President had given Mr. Hoover every assurance that the railroads would work to support them over the entire country. He called my attention to what Mr. Chambers, of the Atchison, Topeka & Santa Fe Railroad, had said, that he had it well in mind. The beet price had then just been established by 65 per cent of the beet interests, and they had hoped to have the remaining interests come into the voluntary contract of 7.25 seaboard.

The CHAIRMAN. In the month of August you and Mr. Rolph discussed the question that there would be a shortage, and that, therefore, it would be necessary to get the beet sugar promptly to the Atlantic seaboard?

Mr. LAMBORN. As fast as made; the idea being to make way for the new crop of Cuban and West Indian sugar.

The CHAIRMAN. Mr. Rolph told you at that time that he had already taken up the matter of getting cars and that he was going to have plenty of cars, or expected to have them?

Mr. LAMBORN. He did; he expected to have them.

The CHAIRMAN. You have already stated that as a matter of fact those sugars did not reach the Atlantic seaboard for some cause or other, and that Mr. Rolph gives as a reason the lack of cars and Mr. Hoover stated that the Food Administration wanted to keep the sugars on the western side of the Allegheny Mountains?

Mr. LAMBORN. That is the way I understood Mr. Hoover's testimony, and it was a surprise to me, because, while I was not in the confidence of the international committee——

The CHAIRMAN. You need not worry about that——

Mr. LAMBORN. But I have heard right along that a great effort was made to get cars, until the statement was made——

Senator JONES. Are you not referring to different dates?

Mr. LAMBORN. No; you see beet sugar did not move to points east of Pittsburgh and Buffalo until well toward the end of November. and as I understood Mr. Hoover's testimony, it was the idea of the administration to keep beet sugar out of this territory as long as possible and let cane sugar be used up; but I presume that was owing to the fact that no one knew how scarce cane sugars were in the eastern territory until it was too late to move the cars into eastern territory.

Senator JONES. That is what I wanted to call to your attention and see what your recollection was about the testimony. The idea was——

Mr. LAMBORN. I have not read the testimony——

Senator JONES. The idea was, in the first place, that it would not be necessary for beet sugar to come to the Atlantic seaboard, was it not?

Mr. LAMBORN. As I understand Mr. Hoover's testimony—I did not get it clearly, because I sat in the back of the room, but that is the impression it created on my mind, but Mr. Rolph has said that he had already tried to get cars, and it was ineffectual, and I think a a railroad man testified that he was unable to get cars.

Senator JONES. And that those plans were afterwards changed by reason of the fact that the movement of the Louisiana crop of sugar to the Atlantic seaboard was not what they had expected it to be.

Mr. LAMBORN. Of raw sugar, yes. But I think a large proportion of the Louisiana sugar moved here as raw sugars or second and third sugars and clarified sugars into the territory largely south of Washington, and that comparatively little moved north of Washington. They only received about 27,000 tons of cane sugar from Louisiana, and I don't think all of that came north. I think some of that was refined in the south, but I am not sure of that. I think they received four cargoes——

Senator JONES. Did you not understand the testimony to be that they afterwards raised the price of sugar on the Atlantic seaboard so it would come into the Atlantic seaboard?

Mr. LAMBORN. I never knew why they raised it; but what I do know is that about 100 cars were shipped into New England, and about 125 cars were ordered shipped to points like Baltimore and New York and to New York State territory and to the intermediate

territory between Pittsburgh and the coast; and I did not know why they had raised the price until I heard the testimony here, that it was in order not to create competition of retailers who might have two prices in the same town.

Senator JONES. If you are not certain that you understood the testimony of all those witnesses, do you think it quite fair to try and give an expert opinion based on their testimony?

Mr. LAMBORN. I am not trying to say anything that would be embarrassing to the Food Administration. As I said before, I did not have their confidence. I have tried to remember their statements, without referring to the testimony of Mr. Rolph and Mr. Hoover, and I think, unless I misheard, that I have given their testimony pretty nearly correctly.

Senator JONES. Are you certain when Mr. Hoover referred to the fact that beet sugars ought to supply the country in the——

Mr. LAMBORN. West of the Alleghenies——

Senator JONES. West of the Alleghenies, that he was talking with respect to the same time that Mr. Rolph was talking about when Mr. Rolph talked about getting cars to move sugar into the eastern market?

Mr. LAMBORN. I do not think that his statement refers specifically to the time, but his statements speak for themselves. There was an infinitesimal amount of beet sugar that moved, that is, compared with the whole crop; it did not commence to arrive in the Eastern States until the 10th of December.

Senator JONES. If I understand your testimony here, you are trying to have it appear that there was a direct conflict in the testimony of Mr. Rolph and Mr. Hoover.

Mr. LAMBORN. I am not trying to have it appear that there was such a conflict. I say that that is the impression that the testimony gave me, and I have expressed surprise in regard to it, and I think now that that may have been in Mr. Hoover's mind, but I think that Mr. Rolph's testimony ought to be more valuable on that than Mr. Hoover's—and that is no reflection whatever on Mr. Hoover's testimony—because Mr. Hoover has had so many more things to handle, and I think Mr. Rolph's testimony would probably be better on that point.

Senator JONES. Well, I certainly had not been impressed with the fact that the testimony of those two witness conflicted. It impressed me that the one plan was entertained at one time and the other at another time; that was the impression I got; and I rather think that it might be advisable for you to refresh your recollection about that.

Mr. LAMBORN. I will try and do so, although I thought I had it clear. There is absolutely no reflection on Mr. Rolph or Mr. Hoover in my testimony. They both know that I am heartily in favor of the Food Administration, if it is going to be handled by the Government, by the people themselves; there is no conflict between us, and I am not trying to bring about any disparaging remarks regarding their testimony. I think myself that Mr. Hoover did not understand the movement of the beet sugar like Mr. Rolph did.

The CHAIRMAN. Well, I think we hardly need to have this witness settle that question; but just for the sake of the record I will say that it clearly shows that these gentlemen are testifying about the

same time, and it clearly shows—and I have it here—that Mr. Hoover testified that they did try to keep the beet sugars west of the Allegheny Mountains, and he not only swore to it once but swore to it five or six different times, and with great emphasis. I do not think, though, that that implies any moral turpitude on the part of these gentlemen at all. But it is an interesting fact just the same. Now, I did not mean to draw out from you, Mr. Lamborn, or ask you your opinion about the testimony of any one——

Mr. LAMBORN. You tried to find out what caused the shortage.

The CHAIRMAN. I tried to find out what caused the shortage, yes. Now, you told us that there was a machinery that got the sugar from the planter to the table, and I am trying to find out what cause or causes produced this sugar shortage. When was it that the sugar shortage first began to be seriously agitated?

Mr. LAMBORN. I felt certain in my mind in the month of June that there would be a serious shortage at the end of this year. It became emphatic in my mind in the latter part of July and early part of August, the very earliest part of August; in fact, we wrote very strongly on the subject, I think, as early as the 3d of August.

The CHAIRMAN. Was there any disturbance as early as May?

Mr. LAMBORN. There were disturbances in the refined sugar market in New York as early as February, owing to strikes in the refineries, and to some extent in April as a reflex of the rebellion in Cuba.

The CHAIRMAN. Were there any reports sent out that there was liable to be a shortage of sugar in the month of May?

Mr. LAMBORN. There were different reports going out. The American Sugar Refining Co. were advertising widely that there would be no shortage and that housewives had nothing to worry about; and Mr. Hoover, when he came here with a clearer insight into the situation, came out plainly and stated that there would probably be a shortage. I think that he was very well informed in reference to the situation before he left England, as they were well informed of the Cuban situation, and they were buying sugars heavily as early as late in May or early in June and during the time the drawback was agitated in Washington. And I furthermore do not believe that they bought those sugars because of the drawback agitation alone. I think it was because of the tonnage question, which drove them to the near-by market. They did not have the ships or the bunker space to spare, and they sent them here and stole the market away from the American refiners while they were talking about the drawback in Washington.

The CHAIRMAN. As a matter of fact they did not get as much net from the United States, raw and refined sugar together, as they did the year before, by 100,000 tons?

Mr. LAMBORN. No, they did not.

The CHAIRMAN. What effect did these rumors have in the matter of creating unrest among the sugar dealers in the United States and the sugar consumers; did it have any effect on prices?

Mr. LAMBORN. I can not speak for individual dealers, but my opinion is that during the early summer months when Mr. Hoover came here everybody commenced to pause, because they knew that if they were going to have food control, and particularly sugar control, we had better go cautiously; that while we were doing that Great Britain was taking a different viewpoint; they were buying sugar.

The CHAIRMAN. Do you mean to say, from your answer, that the man who would ordinarily buy sugar, anticipating a food control, would hesitate about buying?

Mr. LAMBORN. I would think he naturally would. I think it is shown, and either in the latter part of May or the early part of June refined sugar prices for the first time in months came together, and for once, I think in the early part of June—my market list will show - all refiners had one price for a short period for the first time—well, from the 1st of February. In other words, the trade stopped buying temporarily until they could see what was coming, and, of course, the drawback question had considerable to do with that also in this country.

The CHAIRMAN. I want to ask you this question now. I have tried to ask you several times to tell me the cause of the sugar shortage. When the Food Control took hold what did they do with reference to those market conditions that existed before? You had told how sugar used to reach the market.

Mr. LAMBORN. I judge from the testimony I have heard here, and the attitude of yourself, Senator, that your viewpoint may be somewhat different from mine, and certainly, as an American citizen, and in entire harmony with the administration, and desiring to give no offense to the Food Administration, I would like to answer this in my own way. In a few words I would like to state my opinion of the actual shortage. If cars were available, and if the beet crops had moved, and if Hawaiian sugars that had accumulated on the Pacific coast subsequent to September 1 had been moved, and if Louisiana sugars that had accumulated had been moved, plus the available in the United States on the 1st of September, generally speaking, throughout the United States, I do not think the sugar shortage would have appeared, at least it would not have been nearly so acute. That is briefly the cause of it. The cars were not available. Now these other——

The CHAIRMAN. You mean to say that the cars were not procured——

Mr. LAMBORN. I have stated twice that I have not the confidence of the Food Administration, and I can only take the sworn testimony that urgent efforts were made to get the cars——

The CHAIRMAN. I do not care about your taking the testimony of others, but we simply want your own testimony.

Mr. LAMBORN. The fact is that the sugar was not moved because the cars were not available.

The CHAIRMAN. What I want to get at is this: Was there any sugar kept out of this country, was there any interference with the ordinary course of trade? Perhaps I could get at that by asking you this: Under ordinary circumstances, assuming that there had been no food control whatever, and the same condition had appeared that appeared in the early part of this year, an anticipated shortage, what would the sugar trade have done to get sugar, where would they have gone for sugar?

Mr. LAMBORN. That is largely a mental speculation, but basing it on what they have done?

The CHAIRMAN. That is what I mean, basing it on what they have done.

Mr. LAMBORN. When individual efforts and collective efforts have been put forward sugars have moved; the prices may have been higher for this beet sugar without Government control, but the people in my opinion would have gotten it——

The CHAIRMAN. I have tried to get away from the beet sugar. Getting away from the beet sugar and directing your mind now to my questions, for the moment, suppose that there had been no sugar control and there had been apparently some shortage to come, were there any sources of supply outside of the United States that would have ordinarily been resorted to?

Mr. LAMBORN. You mean would they have been resorted to this year?

The CHAIRMAN. Yes.

Mr. LAMBORN. Yes; there were Brazilian sugars, Peru sugars, and some Philippine sugars, if the tonnage had been available—and, of course, Java, with a white elephant on her hands—but whether we could have got the tonnage or not I do not know.

The CHAIRMAN. Was there any sugar in Cuba and Santo Domingo?

Mr. LAMBORN. Some Cuban sugar, but very little in Santo Domingo. If we had not had control Canada would have bid even more to get those sugars, and she did get some West Indian sugars, and some Perus.

The CHAIRMAN. What I am getting at now is what was it that kept the sugar merchants and the sugar trade from getting these sugars that you have referred to, outside the question of tonnage, which you say applied as to those sugars that were far away; now, what kept you from it?

Mr. LAMBORN. Well, we were under control.

The CHAIRMAN. That is what I want to get at. What kind of control? Is that this contract that was made between the sugar refiners?

Mr. LAMBORN. The brokers and merchants were not under control in the sense that the refiners were, but unless we would have the cooperation of the refiners, who were under control, we would not dare make the attempt of getting sugars from far-away points; we might risk our entire fortune in one transaction.

The CHAIRMAN. So that, as I get it from you, the fact is that when the refiners signed the contract that they would procure their shipments solely through the international committee, that circumscribed their activities and limited them and also took away from the sugar broker the places he could sell his sugar unless he sold it to the international committee. Is that right?

Mr. LAMBORN. That is right.

The CHAIRMAN. As a result of this, did the refiners and did the brokers and the men go into the sugar world and try to pick up sugar or did they not?

Mr. LAMBORN. No; we did not. A few lots were sent to us and other brokers that were sold when they were either ready for shipment or afloat, but we could sell only through the international committee, after the price of 5.90 was fixed.

The CHAIRMAN. Did you have some experience about a couple of cargoes of sugar that you afterwards sold to some grocers? Was it you who handled that trade?

Mr. LAMBORN. Yes, sir.

The CHAIRMAN. I have heard about so many transactions that I was not sure. Tell us about those two transactions.

Mr. LAMBORN. Do you want me to go into all the details?

The CHAIRMAN. No; simply in a general way.

Mr. LAMBORN. On the 1st of December Mr. Mott had been appointed, the night before, as the acting buyer for the international sugar committee and I called on him. I am sure I was the very first man who saw him the following day. I asked him if he would make us a bid, that one of our clients in Cuba had cabled us that he was in touch with 54,000 bags of sugar in Havana and Matanzas. He replied that he was not in a position to make bids, having no instructions, but he said, "If you want to trade you had better see Mr. Rolph." So I called on Mr. Rolph, who had not been familiar, in my opinion, with the details and customs in handling sugars on the Atlantic coast, and I told him the circumstances and what Mr. Mott had said. Mr. Rolph said, "I can not make you a bid, but if you can get sugars reasonably promptly I will take them." I told him that we knew of two steamers, and I gave him the location of those steamers in Cuba, one being at Habana and another at Matanzas, and that they expected to be able to have that sugar at Matanzas or Habana about the 14th. He said he would see that the international committee took that sugar at 5.90.

You understand that that was a bid without it really being a bid. To explain, if a merchant or refiner says, "I won't make you a bid, but if you get those sugars at that price I will take them," that is practically a bid, that is, it is a distinction without a difference. I cabled to Habana, and there was some delay then in the cable service, and we had many cables back and forth, and finally we had these two vessels offered to us at a very low rate, 17 cents a hundred pounds. In my opinion that is the second lowest charter rate in the last two years between New York and Cuba. Before we closed the tonnage, however, I called on Mr. Rolph several times and told him the position of these vessels. On the 6th or 7th—I do not know whether my records will show but I think that it was either on the 6th or the 7th of November—I had told him previously to that about these two vessels, one with 13,000 and one with 15,000 bags, and I told him that for the remaining sugars we could not get a vessel for them except one which would commence to load about the 20th, and we could not guarantee the clearance, that is a vessel leaving the port in Cuba, until the last part of the month; and he replied that would not suit their position, but nothing was said about these other steamers we were working on. Our Habana office cabled us on the afternoon of the 8th confirming one cargo. We made a bid of 5.90 on that, and on the following morning they confirmed t other cargo of 15,000 bags. Both of these cargoes arrived in N York I think on the 26th and 27th of November, having left Cuba the 19th and 20th.

The CHAIRMAN. Was that at the height of the sugar shortage?

Mr. LAMBORN. Oh, yes. My partner went to Mr. Mott on t evening of November 8, as soon as we received this cable, and I h gone from the office on some business and went home, and he call me at my home at 7 o'clock and said that Mr. Mott had declined I said, "Wait until to-morrow; we will see Mr. Rolph and he w

accept." On the following morning I called up Mr. Rolph as soon as he got to his office. He had an engagement at that time and I insisted through his secretary on talking to him, and finally his secretary sent word that Mr. Rolph could not take the sugar, that the international committee did not want it because it was so late in shipment.

The CHAIRMAN. How late had it been?

Mr. LAMBORN. I told him then that the vessel was ready to load and would clear between the 19th and 20th.

The CHAIRMAN. Was that an unusually long time?

Mr. LAMBORN. No; it was what we would call prompt, the usual time; within two weeks is considered prompt shipment in the trade. It may not be on the Pacific coast; they do not buy sugar there, it is all consigned to them there. I was considerably upset when his secretary said he could not take it, and I then went to the office and called him up again and he finally told me that the international committee would not take it.

The CHAIRMAN. That was an unusually long time?

Mr. LAMBORN. No; it is what we call prompt shipment time.

The CHAIRMAN. What was the matter with them? Was the price too high? What was the objection?

Mr. LAMBORN. He said the arrival would be too late.

The CHAIRMAN. Too late?

Mr. LAMBORN. The impression on my mind—I do not remember whether he said that the prices by that time would be lower, but undoubtedly the international committee were anxious to get the price as low as they could.

The CHAIRMAN. What was the time of arrival to be?

Mr. LAMBORN. We could not guarantee arrival at this time of any shipment, but he knew that the vessel was ready to load on the 14th or 15th of the month and would clear not later than the 19th or 20th of the month.

The CHAIRMAN. Was that just as quick as sugar could have been gotten from Cuba by any means?

Mr. LAMBORN. Yes.

The CHAIRMAN. Then how much did that make that you had on your hands?

Mr. LAMBORN. That second cargo was 15,000 bags, making a total of 28,200 bags; and I told him, "Mr. Rolph, I do not think you quite understand the circumstances. This is prompt shipment." He said, "Oh, I thought you were talking about those sugars to arrive the latter part of November." I said, "No, not at all. We have made no bid on them and will not until we are authorized."

The CHAIRMAN. That is the 26,000 additional bags?

Mr. LAMBORN. Yes; and those sugars were subsequently sold at the same price, through another broker, we having lost heart after this one transaction.

The CHAIRMAN. I only wanted to get this: You said "This other shipment." That was not very plain. You have straightened it out so that we understand it now. You were talking to Mr. Rolph with the problem before you as to that shipload of 15,000 bags?

Mr. LAMBORN. Yes.

The CHAIRMAN. What did he say then?

Mr. LAMBORN. He said, "I regret if you are in trouble with these sugars, but the international committee can not take it."

The CHAIRMAN. Where did that leave you, with those sugars on your hands?

Mr. LAMBORN. Yes.

The CHAIRMAN. What was the value of those two cargoes, approximately?

Mr. LAMBORN. They amounted to about $20 a bag, or about $600,000, without counting the duty; say $555,000 in round figures.

The CHAIRMAN. Suppose that you had not had any regulation, and had bought those sugars, where would you have gone to have sold them?

Mr. LAMBORN. I would either have sold them immediately on the exchange, if I could not find a buyer within an hour. My first idea would have been to call up our Philadelphis office and have them offer it there, one cargo, and with the other cargo I would have gone to the New York refiners and tried to sell it to them, and failing that, I would have sold on the exchange.

The CHAIRMAN. You would have gone to the exchange?

Mr. LAMBORN. Yes.

The CHAIRMAN. In this instance you went to the only place you thought of, that was the international committee, and there you were turned down. What did you do in your extremity, when you had this $600,000 worth of sugar on your hands? What did you do with it?

Mr. LAMBORN. For the first 10 or 15 minutes I did not know what to do, but I finally went over to see Mr. Spreckles and informed him about the matter, and I said, "I thought you wanted sugars." He said, "We do." And Mr. Post had told me the day before if I got any sugars he wanted them for the firm of B. H. Howell Son & Co., and of course I had told them that they could not get sugars through me, but from the international sugar committee.

The CHAIRMAN. You were trying to stand by the international committee yourself?

Mr. LAMBORN. I could not offer them to him. I had to offer them to the international committee first.

The CHAIRMAN. Why?

Mr. LAMBORN. They were the only buyers. The reason I felt troubled about it was this, that the money market had been and was in a serious condition, the stock market had broken, and it was difficult to realize on anything; and it would have been especially difficult for me to realize on my securities, because many of our securities are more or less inactive sugar securities. Mr. Spreckels said, "Do not worry about the matter. I think you will find that Rolph will take the sugars; and if they come along and you have not financed them, I will finance one cargo."

I then called on Mr. Post, and he said, "If you find out that you are in any trouble, we will finance the other cargo"; and he said, "It is ridiculous, and they will certainly take the sugars."

It was on Friday when Mr. Rolph finally turned the sugars down—the 9th of November. Our cables went back to Habana asking for a relief on the second cargo; and if not possible, then we would confirm it. We thought if they had not actually closed with the merchants down there they would relieve us of that cargo. My partner

in the Philadelphia office, having seen the copies of the cables that went to the Philadelphia office, said that while he had not consulted with me, Mr. Earle, or the McCahan Refining Co. they would be glad to get them. In the meantime I took this matter up urgently with Mr. Rolph, as the correspondence shows, and he immediately declined it.

The CHAIRMAN. Have you got that correspondence?

Mr. LAMBORN. Yes.

The CHAIRMAN. Let us have it.

Mr. LAMBORN. I would like to say, Senator Reed, that there may be no misunderstanding here and without apologizing for Mr. Rolph or myself, that I am satisfied that Mr. Rolph, had he understood the terms of sale, the meaning of "prompt shipment," and of clearance, would never have taken this stand. I feel perfectly confident of that.

The CHAIRMAN. In other words, you mean to say that you think Mr. Rolph is a fair man?

Mr. LAMBORN. I think he is eminently fair.

The CHAIRMAN. But that he was mistaken about the circumstances?

Mr. LAMBORN. Yes. I do not want to put a blot on anyone, but I believe that some one who did know the terms was perfectly willing to put us in a terrible fix.

The CHAIRMAN. Who was that?

Mr. LAMBORN. I do not want to give expression to that, because I do not know that positively; but I feel so convinced of it——

The CHAIRMAN. All right; we understand; and you mean to give Mr. Rolph a clear bill of health?

Mr. LAMBORN. I do not think he is the kind of a man that would in any way deliberately seek to put us in any kind of a hole. Here is the correspondence [producing letters].

The CHAIRMAN. I think you have got them in order, perhaps. The first that I have here is November 9, 1917, and reads as follows:

EXHIBIT NO. 205A.

NOVEMBER 9, 1917.

INTERNATIONAL SUGAR COMMITTEE,
New York City.

(Attention Mr. H. C. Mott.)

GENTLEMEN: Since your refusal last night of the 13,200 bags Cuban centrifugals at 5⅞ cents c. and f. New York for shipment per steamship *Aggersborg*. November 12–20, but expected to commence loading about the 13th–14th, as steamer is now discharging at Manati, we beg to advise that we have been successful in obtaining the option of New York or Philadelphia on this steamer, and as you indicated yesterday that if we could get outport options it might facilitate business, we trust you will now be able to accept this particular lot.

We also offer 15,000 to 16,000 bags Cuban centrifugals at 5⅞ c. and f. option New York or Philadelphia for shipment November 14th–25th, but as this steamer is now discharging at Nuevitas we expect her to be ready to load about 15th–16th.

We trust you will be able to accept both lots of sugar, as you will note they are practically for immediate shipment.

Yours, very truly,

THE A. H. LAMBORN COMPANY.

There is another letter here of the same date, which reads as follows:

EXHIBIT No. 205B.

NOVEMBER 9, 1017.

INTERNATIONAL SUGAR COMMITTEE,
111 Wall Street, New York City.

(Attention Mr. H. C. Mott.)

GENTLEMEN: In your absence we have handed a reply to your bid to Mr. Geo. M. Rolph, of the international committee, feeling that same should be in the committee's hands at the earliest moment.

Believe us,

Yours, very truly,

THE A. H. LAMBORN CO.

There is another letter of the same date, November 9, 1917, addressed to Mr. Rolph, which is as follows:

EXHIBIT No. 206.

NOVEMBER 9, 1917.

Mr. GEORGE M. ROLPH,
International Sugar Committee, New York City.

DEAR MR. ROLPH: Further to our communications of to-day's date, we beg to advise that we have been notified by the owners of the steamship *Veratyr*, which is the steamer we have in mind for the 15,000 bags, that they have received word from Cuba that this steamer will finish discharging on the 12th instant at Nuevitas and are willing to make the charter, shipment November 12 to 20. As this advances the shipping date, we trust the committee will accept the entire 28,200 bags offered to you, as both steamers will now be able to make shipment November 12-20.

Awaiting your reply, we are, dear sir,

Yours, very truly,

THE A. H. LAMBORN CO.

And here is still another letter to Mr. Rolph also of the same date, November 9, 1917, which reads as follows:

EXHIBIT No. 207.

NOVEMBER 9, 1917.

Mr. GEO. M. ROLPH,
Chairman International Sugar Committee,
111 Wall Street, New York City.

DEAR MR. ROLPH: At about 1 p m to-day, Mr. Mott called at this office, and bid our Mr. Logan 5¼ c. and f.on the 13,200 bags of Cuban centrifugals to be shipped per steamship *Aggersborg*, November 12 to 20.

As advised you on telephone to-day, which we have confirmed by letter, we had in good faith, in view of your conversations with Mr. Lamborn, bid our clien these sugars, which they have confirmed, and it is impossible for us to repud purchase.

As we are not aware whether Mr. Mott is familiar with your conversatic Mr. Lamborn, and our letter to you of to-day's date, we felt that we could him a reply when he made the bid, before acquainting you with the circum and therefore we are writing Mr. Mott as per copy inclosed, advising him have handed to you an answer to his bid.

You will doubtless recall that your reason, this morning, for not accep 13,200 bages was on account of the time of shipment, which you inferred late. However, it would appear by the bid we have received through M that the position is entirely satisfactory provided we can supply the sug c. and f.

As the committee fixed the price on Cuban sugars at 5¼, and on which tl never been any question up to this moment, and that the position of the 13,200 bags is satisfactory, we trust that the international comm ittee will be relieve us of the obligation we have contracted in good faith in their behalf.

Furthermore, as our clients have purchased the 15,000 bags at 5¼ on our indi made in good faith, we feel that we are morally bound to help them in the c

in which they are now placed through their efforts to relieve the international sugar committee.

Hoping to receive your favorable reply, we are, dear sir,

Yours, very truly,

THE A. H. LAMBORN CO.

As I understand that letter, Mr. Mott called on you and told you that he would take this sugar.

Mr. LAMBORN. At a quarter of a cent a pound reduction.

The CHAIRMAN. If you had cut the price a quarter of a cent a pound, the sugar was coming promptly enough at that price; but if you did not cut the price, then the sugar was too slow; that is about where it comes out?

Mr. LAMBORN. That is the inference.

The CHAIRMAN. Now, as a matter of fact, had the price been fixed at 5¼ at the time of that purchase?

Mr. LAMBORN. Yes; and remained at that price, and the list was never changed on the wall for six months afterwards.

The CHAIRMAN. For whom was Mr. Mott buying that sugar?

Mr. LAMBORN. He made the bid for the international committee, and had that sugar been sold to them, it would then have been allocated to the various refiners.

The CHAIRMAN. The next letter I find here is also dated November 9, 1917, and is as follows:

EXHIBIT No. 208.

NOVEMBER 9, 1917.

The A. H. LAMBORN Co.,

98 Wall Street, New York City.

GENTLEMEN: I have for acknowledgment your two valued favors of even date. In reply I beg to advise that your Mr. Lamborn called me up early this week in reference to Cuban sugars and I told him that I thought the international committee would at that time buy sugars on the basis of 6.90, duty paid, if immediate offer was made and for prompt shipment. Nothing further was done in this direction and I considered that no offer would be made to the international committee.

Yesterday your Mr. Lamborn called me up in reference to certain sugars from Cuba for shipment up to the 20th of November, and I advised him that deliveries would be too late as the committee expected to buy cheaper sugars by the time such Cubans could arrive and that he would have to use his own judgment and take his own risk in anything he did in reference thereto.

I regret exceedingly if you have placed yourselves in any embarrassing position but can not see where any blame attaches to myself.

Yours, very truly,

GEO. M. ROLPH.

The next letter is dated November 10, 1917, and is as follows:

EXHIBIT No. 209.

NOVEMBER 10, 1917.

Mr. GEO. M. ROLPH,

International Sugar Committee, 111 Wall Street.

DEAR MR. ROLPH: Your letter of the 9th instant at hand. Our letters of that date correctly stated in chronological order the facts which led up to our bidding and securing the two cargoes of 28,200 bags of Cuban centrifugal sugars for shipment on or before the 20th of November.

In view of the fact that our clients in Cuba, acting on our advice purchased both these lots, we have, on account of the moral responsibility involved, confirmed same.

Our Mr. Lamborn's conversation with you on the 8th instant clearly and distinctly called your attention to the fact that we had an opportunity of obtaining still additional sugars for straight November shipment, and on these sugars you advised our Mr. Lamborn that you could not give him any advice but that he could use his own judgment, and on these sugars we have taken no action, although we are still able to

buy them to the extent of 26,000 bags, and which we understand are the total remaining unsold sugars in Cuba at 5¼ c. and f. for November shipment, but a bid is required.

In this connection let us call your attention to the fact that although we have sold millions of bags of raw sugars to refiners and merchants and importers in this city, we have never had our contracts questioned, and we regret exceedingly that in this first instance where we were endeavoring to serve the international food committee, that there should be any misunderstanding between us.

Yours, very respectfully.

THE A. H. LAMBORN CO.

Following that is a letter dated November 12, 1917, which will be Exhibit No. 210. It reads as follows:

EXHIBIT NO. 210.

INTERNATIONAL SUGAR COMMITTEE, *111 Wall Street, New York City, November 12, 1917.*

The A. H. LAMBORN CO.,
98 Wall Street, New York City.

DEAR SIRS: Referring to your valued favor of November 9 on the subject of raw sugar from Cuba, would kindly refer you to Mr. Mott, buyer for the international sugar committee.

Yours, very truly,

GEO. M. ROLPH, *Chairman.*

Mr. Mott had previously to this time been with Mr. Babst?

Mr. LAMBORN. He was the buyer for the American Sugar Refining Co. for 20 years.

The CHAIRMAN. The next letter is dated November 14, 1917, and reads as follows:

EXHIBIT NO. 211.

INTERNATIONAL SUGAR COMMITTEE, *111 Wall Street, New York City, November 14, 1917.*

The A. H. LAMBORN CO.,
98 Wall Street, New York City.

GENTLEMEN: Replying to your valued favor of November 10, I beg to advise that our understanding and your understanding of the conversations had between your Mr. Lamborn and the writer differ materially, but inasmuch as there is a difference of opinion, and not wishing to see your company placed in an embarrassing position on account of any misunderstanding which may have occurred, and in order that there may be no criticism whatever, I have arranged with the consent of the committee that the buyer of the international sugar committee be authorized to purchase the 28,200 bags of Cuban centrifugal sugars referred to in your letter for shipment on or before the 20th of November.

In order to avoid any similar misundertsandings in the future, I will appreciate it if you will make your offers for sugar through the regular channels.

Yours, very truly,

GEO. M. ROLPH, *Chairman.*

The next letter here is dated November 15, 1917, and is as follows:

EXHIBIT NO. 212.

NOVEMBER 15, 1917, 10 a. m.

Mr. GEO. M. ROLPH,
Chairman International Sugar Committee, 111 Wall Street, New York.

DEAR MR. ROLPH: Your letter of November 14 has just reached us, and we hasten to advise you that in view of your attitude, as described in yours of November 9, and the fact that immediately thereafter you sent Mr. H. C. Mott, buyer for the international sugar committee, to us making us a bid at one-fourth cent per pound less than you had distinctly and unequivocally told the writer would be accepted for the position described, we were forced to sell these sugars to the trade, notwitstanding the fact that at the time and since that time four different refiners have told us that they

urgently needed these sugars and were willing to pay the price which we paid with your authority.

We again state to you that we deeply regret that while we were working strictly in the interest of the international sugar committee, that such a misunderstanding could be possible, and again call your attention to the fact that never since we have been handling either raw or refined sugars have our contracts been questioned.

We further beg to call your attention to the fact that on the 8th instant, when we called your attention to the fact that on the 8th instant, when we called your attention to the fact that our clients have 26,000 bags additional for straight November shipment and you told the writer you could not give any intimation as to whether these sugars would be accepted for such indefinite position, and although we again called this matter to the attention of Mr. H. C. Mott on Tuesday, the 13th instant, by letter, we did not have an indication from him until 1 p. m. yesterday. nevertheless, at 1.35 p. m. a cable was delivered to us which arrived in New York, held up by the censor from the previous morning: and we are this morning in receipt of a cable from our Havana office that our indication that seven-eighths cent would be paid for the remaining 26,000 bags was received too late, the lot having been sold through others.

Yours, very truly,

THE A. H. LAMBORN CO.

The next letter is addressed to Mr. Rolph and dated November 16, 1917. It reads as follows:

EXHIBIT No. 213.

Mr. GEORGE M. ROLPH,
Chairman International Sugar Committee, 111 Wall Street, New York.

DEAR MR. ROLPH: Referring to the 28,200 bags which we have sold the distributing trade, and confirming our conversation of this morning with the American refiners' committee, I beg to advise that I have taken this matter up with my clients and I believe I can arrange to turn the sugars over to the New York refiners at the price at which I sold these sugars to my clients, providing the New York refiners will agree to turn over 100 pounds of granulated for each 100 pounds of raw delivered, our buyers paying 130 cents per 100 pounds for the refining of the sugar.

They, however, indicate that they would not be interested unless they knew they could receive all the weight of granulated in return for the weight of raws, and for prompt delivery after arrival.

The sugars are expected to arrive not later than the 26th to the 27th of November.

With the knowledge and consent of my buyers I sold the sugars to them at 7.15 cents per pound net, cash, duty paid. I believe I can induce them to turn over these raw sugars providing they are permitted to sell them wholesale at not more than 25 points profit to the wholesale trade and a reasonable profit to the retail trade. In other words, the refined sugar would cost them 8.45 net, cash, duty paid and they would sell same at wholesale at not to exceed 8.70 net, cash, duty paid f. o. b. New York, plus freight to destination where sold at wholesale, and at a reasonable price retail.

We might state to you that the attitude of the concerns to whom these raw sugars were sold, toward food distribution, has been of the highest character, and in no sense have they attempted any profiteering.

Yours sincerely,

THE A. H. LAMBORN CO.

(The three following letters, numbered Exhibit No. 214, Exhibit No. 214–a, and Exhibit No. 214–b, were afterwards submitted by Mr. Lamborn as properly included in this correspondence, and the same are here printed in full in the record as follows:)

EXHIBIT No. 214.

NOVEMBER 14, 1917.

INTERNATIONAL SUGAR COMMITTEE,
New York City.
(Attention Mr. George M. Rolph.)

GENTLEMEN: We wrote you last week at Washington, relative to competitor selling Peru to the distributing trade at 6⅛ c. i. f. New York; that is, 7.40, duty paid.

We have had no acknowledgment of this letter and now ask you to promptly advise us whether this is permissible, and if so, whether same price would apply to Cuba

when sold to the distributing trade. As we understand regulations, merchants should not sell at over 25 cents per 100 pounds above the purchase price.

As this is a matter of real importance and as we wrote you nearly a week ago on the same subject, we hope you will favor us with an immediate answer.

Yours very truly,

THE A. H. LAMBORN CO.

EXHIBIT No. 214-a.

NOVEMBER 14, 1917.

MR. GEORGE M. ROLPH,
Chairman International Sugar Committee,
111 Wall Street, New York City.

DEAR SIR: Since writing you this afternoon the writer has been informed that, with your permission, brokers not heretofore known as commission merchants or acting as such, have offered and sold to manufacturing trade Peruvian raws at 7.65½ duty paid.

As such a price is 75 points higher than the price established by the international committee, it is impossible for us to believe that you would give permission for such sales, which would be plainly extortionate. Since we wrote you on this subject last week we sincerely hope you will not fail to immediately advise my messenger, in writing, whether the above is correct and whether we are permitted to sell the distributing and manufacturing trade Cuban centrifugal sugars or other centrifugal sugars at over 7.15 net cash.

You surely can not fail to realize the importance of a prompt reply to such communications as we have sent you, and we at this time call your attention to the fact that when our organization found that the Louisiana planters were able to sell clarifieds and plantation granulated at over 7.25 net cash New Orleans, we promptly took the matter up with you by telephone at Washington and spent a very considerable amount of time and money in trying to aid the Food Administration in keeping prices within the limit which they indicated they desired.

You know full well that our leaning over backward not only cost us time and money but particularly prestige, with the net result that we have practically done no business with New Orleans on account of the several subsequent rulings which you made, and in addition we are now severely criticized by the planters, formerly our friends, because of our efforts in behalf of the administration.

Regardless of whether you sanction sales of centrifugal sugars to the distributing and manufacturing trade at over 7.15 duty paid, we have not, nor will we, participate in such sales, but when it is stated to us that you have given permission to others to sell as high as 7.65½ we feel entitled to an immediate reply to our communications.

Yours, very truly,

THE A. H. LAMBORN CO.

EXHIBIT No. 214-b.

NOVEMBER 21, 1917.

Sold for account of Messrs. Gaston, Williams & Wigmore (Inc.), New York City,
To: ——— ———.

Three hundred (300) bags, about 225 pounds each, Peruvian crystal sugar afloat, at 6.40½ per 100 pounds plus import duties assessed by the United States Government, ex dock New York, landed weights.

TERMS: Net cash; certified check for approximate amount, $17.50 per bag against delivery order.

G. H. FINLAY & Co.
(Signed.) F. J. GRAM.

(United States Food Administration license No. G 09141.)

The CHAIRMAN. Now, just explain that. There was a letter here—this letter indicates that after you sold these sugars some objection was made to selling them in the raw state, and it was proposed to turn them over to the refiners to be refined. Was that effected?

Mr. LAMBORN. Yes.

The CHAIRMAN. Who bought these sugars? To whom did you sell these two cargoes of sugar?

Mr. LAMBORN. At that time there was a great scarcity of refined sugars, and many importers were bringing in raw sugars and were getting permission from the international committee——

The CHAIRMAN. To whom did you sell these sugars?

Mr. LAMBORN. We sold one cargo of 13,200 bags to the Great Atlantic & Pacific Tea Co., and one cargo of 15,000 bags to the C. D. Kenny Tea Co.

The CHAIRMAN. The Great Atlantic & Pacific Tea Co. was able by means of that, was it not, to supply its trade with sugar for a considerable time, when other stores were out?

Mr. LAMBORN. Yes; but they would have had to supply raw sugars to the trade if they had used these sugars.

The CHAIRMAN. Yes; but you got them refined afterwards by recalling them and sending them back to the refiners?

Mr. LAMBORN. Yes; there was one week's supply for them.

The CHAIRMAN. The Great Atlantic & Pacific Tea Co. has a string of stores all over the United States, I understand. Is that right?

Mr. LAMBORN. Yes; they have 3,600 stores.

The CHAIRMAN. Three thousand six hundred stores. For about a week this one cargo supplied those 3,600 stores?

Mr. LAMBORN. I think it supplied them for longer than that. That is their normal requirement for about one week.

The CHAIRMAN. But they managed to string this out and make it last considerably longer?

Mr. LAMBORN. Yes; because they limited their sales to 1 pound to a customer, or to a family.

The CHAIRMAN. Yes; I believe that is the way they got my wife's back. The other company that took these sugars was the C. D. Kenny Co.?

Mr. LAMBORN. Yes; the C. D. Kenny Co., of Baltimore.

The CHAIRMAN. Is that a string of stores, too?

Mr. LAMBORN. They are a string of wholesale and retail stores. They have about 100 stores.

The CHAIRMAN. And were they able to supply their trade for a considerable time out o these sugars?

Mr. LAMBORN. Well, they have spread it along; but that was less than a week's supply for them.

The CHAIRMAN. They do a large wholesale business, too, do they?

Mr. LAMBORN. Very large.

The CHAIRMAN. There was 26,000 bags of sugar there?

Mr. LAMBORN. Twenty-six thousand bags of sugar.

The CHAIRMAN. The international committee would not permit you to buy that sugar. What became of those sugars?

Mr. LAMBORN. They would not permit it at that time.

The CHAIRMAN. Yes; at that time, I mean.

Mr. LAMBORN. But on the following Tuesday, the 12th of the month when Mr. Mott was at his office, he said while he would not give us a bid on those sugars, if they were offered the international committee he would take them.

The CHAIRMAN. At what price?

Mr. LAMBORN. Seven-eighths

The CHAIRMAN. Seven-eighths. So that, concretely stated, they refused these two cargoes of sugar of yours on the ground that they were coming in too late, unless you would cut the price a quarter of a

cent, and then, subsequent to that time, they did offer to take the 26,000 bags of sugar at the full price?

Mr. LAMBORN. For later delivery; and they did take it.

The CHAIRMAN. For later delivery; but at that time the sugars had already been sold?

Mr. LAMBORN. No. You have not got it quite right.

The CHAIRMAN. Well——

Mr. LAMBORN. Our sugars were offered to them first for shipment fully 10 days ahead of the sugars that were sold to them later.

The CHAIRMAN. Yes.

Mr. LAMBORN. But they apparently gave the same indication that they would pay seven-eighths for that later lot of sugars—26,000 bags—to several brokers, and some broker might have had it 10 minutes or 1 minute ahead of the others, and if he got it into Havana first, he would get the order.

The CHAIRMAN. Some other broker got it?

Mr. LAMBORN. Yes.

The CHAIRMAN. Do you know whether it went to the international committee?

Mr. LAMBORN. Yes; it did.

The CHAIRMAN. I take it from this statement that you have just made, if there had not been any regulation at all, if there had been a sugar shortage, you would have been skirmishing around wherever there was any chance at all to get sugar?

Mr. LAMBORN. Yes.

The CHAIRMAN. Just like you went after this Cuban sugar?

Mr. LAMBORN. We would have done our very best; especially if the exchange had been open we would have been willing to make bids; but with the exchange closed we would not have taken undue risks; but the refiners might have bought it.

The CHAIRMAN. But you would have been on the lookout for sugars?

Mr. LAMBORN. We would have been looking for buyers and we would have been looking for sellers.

The CHAIRMAN. Have you made any study at all of the amount of sugars that were on hand on the western coast, not beet sugars but cane sugars, at the time of the shortage, and beginning along in the months of September and October and November?

Mr. LAMBORN. No: I have not made any study. I have heard the testimony.

The CHAIRMAN. You have just heard the testimony?

Mr. LAMBORN. Yes.

The CHAIRMAN. Well, I do not care to have your opinion upon that, of course, because that stands by itself.

Mr. LAMBORN. Those sugars are not generally figured by New York brokers in any quantity or at any particular time because they are confined largely to California and to the two eastern refiners who have them under contract.

The CHAIRMAN. You have just testified that if those sugars had been properly distributed throughout this period of great shortage, the shortage would have been wiped out, or practically wiped out.

Mr. LAMBORN. Well, not exactly in that way, I did not testify. I did not say they had been improperly distributed. I said if they had been distributed as we anticipated they would be, the shortage would necessarily not have been so severe.

The CHAIRMAN. Yes; I understand your feeling. If I was in the sugar trade, I would be mighty chary about criticizing.

Mr. LAMBORN. Allow me to make this remark. You might give a wrong impression otherwise. I am perfectly willing to criticise where I think it is due, and I have done so, but I certainly am not——

The CHAIRMAN. Yes, I understand.

Mr. LAMBORN. The question of criticising the Food Administration is very different.

The CHAIRMAN. Yes, I understand that. I do not mean to be criticising you, either, by my remark. I meant it pleasantly. But what I am trying to get at now is——

Mr. LAMBORN. I might state to you, also, that I am not known as being chary of criticism, in the sugar business, but to the contrary.

The CHAIRMAN (continuing). What has been the disturbing cause, if any, growing out of sugar control? What has been wrong with the international control—anything?

Mr. LAMBORN. From my viewpoint, some one threw a monkey wrench into the Food Administration's machinery, and I know, not from my own personal feeling against the interest, but from the general feeling of unrest and suspicion that has been in the trade ever since the man was appointed, and which continues in the trade and will continue as long as he is on the international committee—that is the appointment of Mr. Earl D. Babst, the president of the American Sugar Refining Co. I make that statement advisedly after having consulted many, many interests in the trade, refiners, merchants, and brokers.

The CHAIRMAN. Why did the appointment of Mr. Babst occasion this distrust?

Mr. LAMBORN. To my mind, because I have known Mr. Babst since the fall of 1915; I know that he is a sophist. I know that every statement he has ever made to me directly has been misleading, and I know that he has never qualified on what he said to me in the spirit and with the intent with which I received it. It goes back to the very first appointment I ever had with him. I know in these war times, when we are asked to conserve waste, he continues to talk sophistry not only on little things, on small things, but on large things as well, and to work, since he has been on the international sugar committee—particularly to work—for the interests of his own company.

The CHAIRMAN. You say that he works in the interest of his own company?

Mr. LAMBORN. Yes, sir.

The CHAIRMAN. His company is the American Sugar Refining Co.?

Mr. LAMBORN. Yes.

The CHAIRMAN. That is the largest of the American sugar refining companies?

Mr. LAMBORN. Yes.

The CHAIRMAN. Now, in what way has his management or control inured to the benefit of that company?

Mr. LAMBORN. Well, the Food Administration apparently feel that his attitude in regard to the Louisiana purchase is correct; so, consequently, I will not criticize that.

The CHAIRMAN. I do not care whether the Food Administration thinks it is correct or not. What do you think about it, Mr. Lamborn, yourself?

Mr. LAMBORN. I do not know what the intent of that contract was, but to my mind, as I read it, it meant that refiners could not purchase Louisiana sugars, and furthermore I know later when they were asked to purchase Philippine sugars, the greatest surprise was expressed that they could purchase those without the intervention of the international committee. Later, it was stated that Mr. Babst would have to reduce his own melt in proportion to the amount of Louisiana sugars he had secured. That was not generally understood at the time, and furthermore, in this time of great stress it gave his company a predominating advantage in having these sugars for distribution, especially since during all of the time he has been on the international committee he has positively forced the sale of package sugars without giving the trade opportunity whatever of purchasing bulk sugars. I do not recall any distinct order we have had from any of our large distributors for package sugars since this shortage has been on, but I do know that until practically recently when this matter has been agitated in the press that he has refused to give us anything but package sugar, and 90 per cent of these I am satisfied, or possibly a great deal more, have been destroyed in order to distribute the infinitesimal quantities the trade has received.

The CHAIRMAN. You speak of the advantage it was to the American Sugar Refining Co. to secure the Louisiana sugars at the particular time, even though afterwards in the allotment of sugars the amount of Louisiana sugar should be charged to them. How is that an advantage?

Mr. LAMBORN. It was the life of his company, keeping their sugars before the trade when the others were shut down. To have received 100,000 tons, or to have anticipated a greater amount, in fact any amount that the Louisiana people might have given under that contract, would have given him the greatest advantage. It is self-evident.

The CHAIRMAN. It may be self-evident to you. What do you mean by that?

Mr. LAMBORN. Especially it helped his advertising, because he has been forcing his advertising and putting his package sugar to the people at a time when they did not want it.

The CHAIRMAN. Do you mean that this would be an advantage that if the great concerns dealing with the sugar refiners, the wholesalers, finding a scarcity of sugar, would find that one particular company could furnish sugar, and the others could not, that that would give that company an advantage and enable it to gather trade to itself?

Mr. LAMBORN. Of course. This man would not even have to have any selling organization under such circumstances, and then the way the contract is now drawn this man has done away with brokers; he does not need the broker during this period any more.

The CHAIRMAN. We will come to the broker in a moment. We will have to take just one thing at a time. You have spoken of this advantage of having that sugar at a time of great scarcity when nobody else had sugar. Would that enable him in any way to

compel the public to take his package sugars? Would that be one of the consequences that would follow?

Mr. LAMBORN. Certainly; but he did not have the advantage he anticipated, and notwithstanding that he forced the public to take the package sugars, which they did not want, and that is well known to all of the big trade in the Eastern and Atlantic States.

The CHAIRMAN. How did he force them to take it?

Mr. LAMBORN. He would not give them anything else. Even the sugar which he refused to give to France was bagged in a Philadelphia refinery, and kept it there for a period of five weeks, and he unpacked that sugar to a large extent out of the bags into packages, at an advance of 40 cents per 100 pounds more, and if there can be any worse waste than that, or any worse taking advantage of his opportunity, I can not conceive it.

The CHAIRMAN. Is there any other advantage than this you have spoken of?

Mr. LAMBORN. His advantage as the leading refiner with 40 per cent of the distribution of the refined sugars of the United States, with absolute knowledge, the rest of the trade knowing nothing, the merchants and brokers having no access whatever to the knowledge of what is going on, on that committee, and he being the dominating force on that committee, of course he has a very great advantage.

The CHAIRMAN. What I am trying to get you to do is to tell what those advantages are. You say he is the leading spirit in the international committee.

Mr. LAMBORN. He is so recognized.

The CHAIRMAN. And he is also the leading sugar refiner of the United States. Do you think that as a refiner he gets any trade advantage or any chance to make any moneys in sugars because he has at the same time possession of knowledge quicker than other men that he gets by virtue of being on this international committee?

Mr. LAMBORN. I will go back and again repeat my statement. Every interview I have ever had with him, he has left me with a certain spirit in my mind, and it has always turned out to the contrary. I can only assume that he will do the same thing continually. I have heard him testify that these things he considered small that we considered great, where he is working in the interest of his company, and I will say that he would naturally; it is his natural bent. To proceed further, he has four refineries—he has more than that; he has two in Philadelphia, two in New York, one in New Orleans, one in Boston; altogether, he has six. He knows exactly when these refineries will need sugar. The tonnage situation is fundamental. I think sugars may be very scarce during this coming year, notwithstanding there is a greater amount of sugar probably by 500,000 tons at least than our country and the allies will need, and still, if we do not have the tonnage, we can not move that sugar. He knows what his requirements are for these six refineries. It is going to be easy for him to arrange the shipments and the allocation of the sugars to take care of himself.

The CHAIRMAN. And another man has to take it haphazard, and he will be at a disadvantage. Let me see if I understand you on that. You think that Mr. Babst, because he is a member of the international committee, will know what tonnage will be available for the movement of sugars to the allies?

Mr. LAMBORN. No; I do not know that he will know that, but I think that he is aiming to know.

The CHAIRMAN. You think that he will be in a better position to know?

Mr. LAMBORN. There is no reason why he would not, because one member of the British Commission, and one member appointed by the British Commission are members of the International Committee, and I presume they will give him their confidence, a thing that he has never had before, nor any other refiner. No other refiner has ever known what tonnage was going for refined sugars to the United States or raw sugars to Cuba, because we have kept that sacredly confidential.

The CHAIRMAN. You mean since the war?

Mr. LAMBORN. Since the international war began.

The CHAIRMAN. And you, being a representative, having that in charge, and knowing about it, did not tell about the vessels that must be sent for sugar?

Mr. LAMBORN. Nobody except my partner, Mr. Logan, in New York, and my Havana partner, Mr. Riggs, ever knew, not even any of my other partners, and none of my clerks, until the tonnage was allotted.

The CHAIRMAN. Now you say that Mr. Babst by virtue of being on this international committee will, in your opinion, know how much English tonnage is available for shipment to England?

Mr. LAMBORN. He will never know from me unless I am instructed to give it to him.

The CHAIRMAN. You think he will get it through that committee?

Mr. LAMBORN. I do not know that, but my inference is that he will. He will if he can; that is certain.

The CHAIRMAN. Do you know that he will have the opportunity to know about the tonnage that is available to ship sugars to this country?

Mr. LAMBORN. Of necessity he will know all about the tonnage of sugar from Cuba and other West India ports, in fact of all sugars that will have to be sold through the international committee. Certainly he will know that in advance of any broker or refiner or merchant.

The CHAIRMAN. How can that be an advantage to him?

Mr. LAMBORN. In the arrangement you see his alternate—no, I think Mr. Parker is not the alternate—but through the member of the American refiners committee, Mr. Parker, who is the vice president of his company, he will know how to arrange for the allocation of his own sugar.

The CHAIRMAN. Let us get that a little more in detail. Is it a great loss to shut down one of these big refineries?

Mr. LAMBORN. I am not familiar with refining costs, but where they have anywhere from 600 to 1,500 men it is not so much the loss of the operation of the plant alone as it is the disintegration of the force at the plant. It is a serious thing. The refiners had their strikes in February, and many of them never got into full working capacity until about the 1st of July, I am informed.

The CHAIRMAN. Is it of great advantage to a man to understand in advance when he is going to get his sugars, the amount of sugar that he is going to get? Is that of great advantage to him?

Mr. LAMBORN. So much so that during the first six months of the year particularly sugars are sold on first week's clearances, first 10 days clearance, clearance not later than the 13th, the first half of February, etc., shipments of all sorts of periods, clearly defined, and when the contract by the shipper is not lived up to the letter, he is at the mercy of the buyer; certainly.

The CHAIRMAN. You say that the knowledge of when the sugars would be allotted would be of advantage. Mr. Babst was not on the committee that allotted sugars.

Mr. LAMBORN. No; but he is on the international committee that does the buying, and his vice president, Mr. Parker, is on the refiners committee.

The CHAIRMAN. On the allotment committee?

Mr. LAMBORN. Yes.

Senator VARDAMAN. Does not the international committee allot it?

Mr. LAMBORN. No; they buy it, and then turn it over to the American refiners committee, and the refiners meet and allocate the sugar among themselves.

The CHAIRMAN. This arrangement, as I understand it, amounts to this, that the refiners have quit competing with each other in the buying of raw sugars, and they have likewise quit competing with each other in the refining of sugars, because each is to be allotted his proportionate share, and as it is not contemplated that there is going to be a surplus of sugar, each of them can sell his sugar without very much effort. I suppose that is about the situation.

Mr. LAMBORN. It will be child's play to sell sugar as far as the American distribution of it is concerned.

The CHAIRMAN. In figuring up the differential that was to be allowed the refiners, I observe that they arrived at $1.30. Do you know whether that included as an estimate any charge for brokerage?

Mr. LAMBORN. I know that it did.

The CHAIRMAN. And what was the brokerage that was included in that $1.30?

Mr. LAMBORN. Five cents per 100 pounds, as a maximum, to 3 cents per hundred, which was the prewar rate, and although brokers expenses have increased, in some cases doubled, since the war, brokerage was not contemplated by the refiners to be any greater. But I know for a fact that 3 cents was contemplated by the Food Administration to be paid to the broker, notwithstanding the fact just like the refiner his usefulness through lack of competition to the ultimate consumer will not be as great.

The CHAIRMAN. The refiner's will not be as great because there is no competition?

Mr. LAMBORN. The refiner is not taking any risk. He is not going to go, as the American Sugar Refining Co. did in the early winter of 1916, into the market and buy enormous quantities of sugar. They had to finance those sugars and arrange to store them. There is no similar risk to what there was in prewar times. In other words, the refiners can sit back and take those sugars and feel absolutely sure of their market.

The CHAIRMAN. The refiner has an absolute market in which to buy and an absolute market in which to sell.

Mr. LAMBORN. And he knows that if he has any surplus beyond the American capacity to take his refined product he has a crying world,

not only in the allies but in the neutrals, who will take his surplus, and all of his surplus.

The CHAIRMAN. And he has been allowed $1.30 differential against the former profit of 85 cents?

Mr. LAMBORN. It was not a profit. It was a differential against 84.7 points covering a period of many years, and that included the cost of refining, distributing, and profit.

Senator VARDAMAN. But under the profit arrangement the refiner is in better condition than he was before the war.

Mr. LAMBORN. I can not state whether his profit in that 130 points is any greater, or as great or less than it was, because I do not know the refining costs, but they arranged their margin with the Food Administration. It was eminently satisfactory, and I believe eminently fair and just. I certainly do not say that it was too large or too little. They were satisfied and the Food Administration was satisfied, but the point is this, that they do not take the violent risks of the market. I have had a refiner say to me in Washington that he went to bed one night with a profit of several hundred thousand dollars and inside of two days had a loss of a million dollars, due to violent fluctuations. If the price is to be stabilized and profit fixed, there can not be anything of that kind.

The CHAIRMAN. So that the refiner, who got together with himself and the Food Administration and agreed on $1.30 for his compensation, included in that $1.30 in their estimates a brokerage charge. What has happened with respect to that brokerage charge?

Mr. LAMBORN. On the 28th of December, I think it was—I have been here so much and away from my business so much that I have not kept accurate track, but may I ask Mr. Cameron?

The CHAIRMAN. Certainly.

Mr. CAMERON. On the 27th of the month.

Mr. LAMBORN. On the 27th of December, the American Sugar Refining Co. made an announcement that, effective on the 1st of January, the American Sugar Refining Co. would sell their sugar through their own selling channels and eliminate the broker.

The CHAIRMAN. Was that in print?

Mr. LAMBORN. Yes. I know that the National Association of Brokers has taken that up, and Mr. Cameron is here to give that information, and Willet & Gray's Journal printed it.

The CHAIRMAN. I would like to put it in from Willet & Gray's Journal.

Mr. LAMBORN. You asked the question of how he can benefit and how he is benefiting. Understand that I am viewing this thing in the broadest sense that I can. I am not considering our own position as brokers, losing the 3 cents a hundred pounds. If we were in p times and the American Sugar Refining Co. made such an arra ment, I would welcome it, our whole organization would welc it, because I am satisfied that the jobbers, distributers and bro would eat them up, because the capacity of all refineries is so n above the consumption of the United States that the busi through the friends of the brokers who have been working them for 25 years and in some cases 50 years, would be volunta not through boycott, thrown into the hands of the independen finers; but beyond that he is profiting and in my opinion unju

and far greater is the point that although he is under contract with the Food Administration to sell all of his sugars at 1.3 points wholesale above the price of the raw sugar allocated to him by the American refiners' committee and the international committee, he is selling to the retail trade and in fact stated that he was going to push the sale to the retail trade, in which transaction he is making between 35 and 36 cents a hundred pounds, generally speaking, without any risk to himself.

Even under the most liberal interpretation of the refiner's contract with the Food Administration that this word "wholesale" means that he can go ahead and make another profit and sell to the retail trade and rob the jobber, or take from the jobber, if you want to put it in a mild way, when the amount of the jobber's charge is allowed to him, it would be one thing, but he does not take that risk. He goes to the cream of the trade of the United States. The wholesale grocer has, we will say, 1,000 customers, or 100, and there will be 85 or 90 per cent of these men that are in poor credit, who have to be carried for 20 or 30 or 60 or 90 days. You understand that, if you are acquainted with any wholesale grocery house. If Babst sells to the retail trade, he will get a certified check in advance for his purchases, or the retailer will pay cash to the driver of the team that delivers the sugar. In other words, I state that he is profiteering, and I think that when they go after these little men in New York City who may not have had a liberal education to study and morally comprehend the food bill, and stop them from business and take their license away for the period of the war, it is bad enough, but when this man comes here and flaunts himself and swears he is going to push this thing as well as his package sugars, at a time when the trade does not want them, I think it is terribly reprehensible; and therefore, I say, our little differences as brokers amount to nothing to me, but as an American citizen I say that the other thing is terribly wrong.

The CHAIRMAN. We are in no manner interested in the profits of the broker, but we are interested in the question of whether or not a man occupying a public position is able to employ that position so that he can do things for his own benefit that he could not otherwise do.

Mr. LAMBORN. Senator Reed, he has that position, and he is doing it, and the other refiners are not doing it. Their interpretation of the spirit and fact of that contract, as many of them have said to me and to other brokers, is vastly different.

The CHAIRMAN. Going back to the point, and omitting comment for the moment, as a matter of fact the broker has always in the past operated for all the sugar refiners, including the American?

Mr. LAMBORN. Yes, but not entirely for all the sugars that the American Sugar Refining Co. manufacture. The American Sugar Refining Co. has in past years gone to certain large trade throughout the United States, although in spirit they were working harmoniously with the other refiners, and not doing underhanded business, and have either given a straight rebate to purchased buyer's business or in some instances have given the brokerage, deprived the broker of that brokerage in some cases, and they have continued both, and they continued this question of brokerage until Mr. Babst was made a member of the International committee.

The CHAIRMAN. That is really an aside.

Mr. LAMBORN. That is the exception.

The CHAIRMAN. With this exception they did employ brokers, and the great bulk of their buying of raws was done through brokerage houses the same as others, as well as selling refined?

Mr. LAMBORN. They bought their sugars, largely, with one or two exceptions, through brokers or merchants, and recognized brokers in the sale of their refined, with the exceptions noted.

The CHAIRMAN. Since this arrangement has been made by which competition between the refiners is supposed to have been wiped out, although a brokerage charge was included in $1.30 differential, an order has been issued doing away with the brokers for the American Sugar Refining Co., has it not?

Mr. LAMBORN. Yes.

The CHAIRMAN. I want to read now, at this point, from Willett & Gray's publication of December 27:

> The American Refining Co. announced to-day that selling through brokers would be discontinued after January 8. The other refiners will continue to sell through brokers.

Then follows this:

> In this connection, at a meeting of the National Association of Brokers in refined sugar, the following telegram was sent to the President of the United States and also Mr. Hoover, and a copy handed to Mr. Rolph.

That telegram and reference is here before us in the form of a petition. How much would this brokerage charge amount to in a year to Mr. Babst's company?

Mr. LAMBORN. Let me see. About $1,120,000.

The CHAIRMAN. That would be the brokerage charge?

Mr. LAMBORN. Three cents a hundred pounds; yes. Now, that is figured very fully. It would be less than that, but I figured on the basis of 4,000,000 tons, which we hope, by this year, to have attained in the distribution of sugar in the United States.

The CHAIRMAN. Well, what would it amount to figured at a minimum?

Mr. LAMBORN. Between $1,100,000 and $1,200,000, say.

The CHAIRMAN. Have you heard of any proceeding to carry that saving on to the ultimate consumer?

Mr. LAMBORN. It would be impossible to carry it on to the ultimate consumer.

The CHAIRMAN. Senator Vardaman, you wanted to ask a question, I believe.

Senator VARDAMAN. Yes; I wanted to ask just what you have asked—whether by cutting out the middleman, the broker, that would give sugar to the purchaser, the ultimate consumer, any cheaper?

Mr. LAMBORN. Senator, it would be impossible. I will give you an illustration showing why I say that.

We have sold, to go to Algiers, through a bank, 4,000 tons of cube sugar. In the final analysis we could not get tonnage, because the United States Government put an embargo on that sugar. It was to go to the Algerian Government, a dependency of France. We were instructed to sell this sugar here. It was a grade of sugar not much used in this country. Very little cube sugar is used in this country compared with granulated. The price, including the duty—you see, if it was going for export it would be a little over a cent a pound less—

figured $9.70. That is exactly what it cost the buyers who sold it to the Algerian Government. We were instructed to sell that sugar, and we sold it at $9.70, on condition that the buyers would distribute at one-half cent per pound advance, namely, $10.20 per hundred pounds, or 10.20 cents per pound; but the buyers said: "Here, we can not do it. We have no fractions; but what we can do is this: We will agree to buy that sugar and sell not more than 2 pounds to any one customer for 21 cents. We can not sell it at 20 cents for 2 pounds, or 10 cents for 1 pound, because the cost of delivering the sugar to our stores and putting it into paper bags is greater than 30 cents a hundred pounds." Mr. Rolph gave our buyers permission to do it after they had agreed to sell it at $10.20 per hundred. That is how that came about. You see, the thing was done in a few minutes.

Senator VARDAMAN. The point I want to make——

Mr. LAMBORN. The point is this: In that case, if we had sold that sugar at 10 cents a pound—I mean, $9.70, and the wholesaler had agreed to sell it to the retailer, so that the retailer would distribute it to the ultimate consumer at 10 cents—he could have gotten off on the even figure, but because he agreed to distribute it at 10.20 it was physically impossible for him to do it, because we have no such currency as they have in France.

Senator VARDAMAN. But here is the point about that——

Mr. LAMBORN. Therefore we elevated the price to 10.50. Now, you can see how much more difficult it would be to do it for 3 cents a hundred. Now, let me tell you something: As far as our company is concerned, if Mr. Babst will arrange to give that 3 cents, and can prove that he can give it, to the ultimate consumer, we have not that much [snapping the fingers] to say against it.

Senator VARDAMAN. That is just the point I want to get at.

Mr. LAMBORN. But is it impossible.

Senator VARDAMAN. I have a protest here from the brokers at Meridian, Miss., against Mr. Babst's order to dispense with the services of the broker. Now, this committee and the Congress is interested in giving sugar to the consumer at the lowest proper price. Somebody will put that million dollars in his pockets. If Mr. Babst or the American Sugar Trust proposes to take that off of his selling price and let it go to the ultimate consumer, personally I should commend his conduct. I would not desire to disorganize business and interfere in any way with the established custom; but one of the economic curses of this country to-day is the profits of the man who produces nothing, the middleman. Now, I see that there is an organization, evidently, because this is a blank which is sent to these people. I know these men. They are very honorable gentlemen.

Mr. LAMBORN. What is the name of their firm?

Senator VARDAMAN. There are four of five of them—the Smith Brokerage Co., Gibson of Meridian. Heyward, Woods, and others. Then here is a protest also from all the wholesale dealers in Meridian. Miss., protesting against the part Mr. Babst is playing on this commission, and demanding his withdrawal from that commission. But if this charge that has heretofore gone to the broker, the middleman, can be saved to the consumer, it seems to me that there is nothing morally or economically wrong in it.

Mr. LAMBORN. He can not do it, in the first place. Now, let me tell you about the middleman. We are not the——

Senator VARDAMAN. Why can he not do it? That is what I want to know. Why can he not do it?

Mr. LAMBORN. I have given you the illustration of how it is impossible to do it on 20 cents a hundred.

Senator VARDAMAN. Suppose Mr. Babst will sell his sugar and take from the price of his sugar the million dollars you have just figured there?

Mr. LAMBORN. He can not possibly get it to the consumer. Now, I will go into that later; but just let me tell you about the broker, the middleman you are talking about, that you want to eliminate.

Senator VARDAMAN. I am not talking about the brokerage man.

Mr. LAMBORN. But we are not middlemen in the sense that is generally understood down in Washington.

Senator VARDAMAN. I am not interested down here in Washington. I am interested down in Mississippi.

Mr. LAMBORN. Surely. Well, I know; but you are here representing those people down there. Let me explain to you our position, and how greatly it differs from that of the middleman that you have in your mind.

We do not buy these sugars from the refiner and take risks on them. Our duty is to seek the lowest price. It always has been to seek to lowest price. These refiners have always complained about the broker whom they were paying, but whose cost of doing business they were charging to the wholesale grocer in the price, and he, ultimately, to the consumer through the retail grocer. I have always stated—I have stated to H. O. Havemeyer, I have stated to Mr. Babst in this first interview I have spoken about, I have stated to Mr. Spreckels, I have stated to Mr. Post, and I have stated to everyone of them that the broker who tells them that he is working for the refiner is either deliberately lying or is trying to fool them.

Now, we do work for the wholesale grocer. We have always, in all the period I have been in business, sought the lowest price of refined sugar in order to get it to our wholesale grocer at the lowest price, so that he might get it to his retailer at the lowest price, and so that the consumer could buy it from that retailer at the lowest price. Is that obviously true, or not? The brokerage is charged in the cost of manufacture and distribution and profits. It has been recognized so for all these years. We are not middlemen in the sense that we buy something and then——

Senator VARDAMAN. Here is the point: I agree with you very heartily, and I have expressed myself on this committee to that effect, that a man representing the interests that does has no business on this commission. You can not serv mammon. If Mr. Babst is faithful to the men who empl can not be loyal to the American people in the perform duties on that commission. If he is loyal to the American if neglecting the interests of the people who are hiring him not believe any man should be permitted to fix the price of that are to be sold which he himself is personally interest profits by it. But I do not see why one of these refineries perform the function if they saw fit to do it, put the ma

motion to perform the service that the broker performs; and if he can do that and save that cost to the ultimate consumer, it seems to me commendable.

Mr. LAMBORN. Senator, the price of granulated sugar to-day is 7.45 less 2 per cent; in round figures it is 7.30. The 3 cents a hundred pounds we receive is a trifle less than one-half of 1 per cent.

Senator VARDAMAN. But it is just that much.

Mr. LAMBORN. It is a trifle less than one-half of 1 per cent. I do not believe that any refiner in the United States, I do not believe that even Mr. Babst, will come in here and state that he can distribute his sugars for less than that with his own selling organization.

Senator VARDAMAN. If he is a fraud——

Mr. LAMBORN. I do not say he is a fraud. I say this, that he can not do it.

Senator VARDAMAN. If he is a fraud, I agree with you; but suppose he does it?

Mr. LAMBORN. How can he get it to the ultimate consumer unless he wipes out not only the broker but the wholesale grocer and the retailer? It would be impossible. Here is the basis he is working on—$1.30 per hundred pounds. Now, he takes for himself that three points. If he would sell it and get it to the ultimate consumer at $1.27, even though it did wipe out this so-called middleman, I could not complain in my personal position. I might if I were in the position of 90 per cent of the brokers in the United States who have worked hard all their lives, who felt that that business was secure, who have felt that the President's words meant something, that Mr. Hoover's words meant something, when they said that the broker would not be disturbed and no channel of business would be disturbed unnecessarily. Now, when I state to you that I know positively that the Food Administration, in making this contract with these refiners, contemplated this 3 cents a hundred pounds, I know it because Mr. Hoover himself last week told me so; and he told me why he had figured that he got this cost of 84.7 points, which included the cost of refining, the cost of marketing, the cost of the brokerage, and the profit during a period of many prewar years. Now, I state to you that it would be physically impossible, unless we went on the French system of coinage, and then wiped out the broker, the jobber, and the retailer, to get that sugar to the ultimate consumer and save that 3 cents a hundred pounds to him. It is too small.

The CHAIRMAN. Now, let us figure that 3 cents a hundred pounds. The ordinary consumer never buys more than one dollar's worth of sugar at a time, does he?

Mr. LAMBORN. I think in the West, in your territory, yes; they buy 25 to 100 pounds, and do not consider it hoarding.

The CHAIRMAN. They do not do that out in my part of the country.

Mr. LAMBORN. Yes, they do; both in Kansas and Missouri and Oklahoma.

The CHAIRMAN. You mean the farmers?

Mr. LAMBORN. I mean the farmers, yes.

The CHAIRMAN. Well, let us say that a farmer bought 25 pounds.

Mr. LAMBORN. He buys 100 pounds in your territory, because they are all well to do out there. They have got the money, and they want to get the sugar.

The CHAIRMAN. There is not a farmer in 5,000 in the State of Missouri that buys 100 pounds of sugar at a time. They do not go to town once in six months out there; they go to town about five times a week, and they have automobiles, and they buy like other folks do.

Mr. LAMBORN. Senator, pardon me; I do not want to contradict your statement, but I know they do.

The CHAIRMAN. Well, I live in that country, and I know more about Missouri than all the men who live in New York because I live there; and the man that does not know anything about it is the fellow that lives in New York. He is mighty wise in his own way and within his own city limits, but I will not let him tell me anything about sugar in Missouri; and much as I like you, Mr. Lamborn, I will not let you tell me anything about sugar in Missouri.

But I am trying to figure this out: The average householder, if he buys one dollar's worth of sugar at 10 cents a pound would get 10 pounds of sugar; and if there is only 3 cents difference on the 100 pounds, do you mean to say he could not divide that; he could not carry that to the ultimate consumer, because it would be only 3 mills?

Mr. LAMBORN. Because it would be only 3 mills; exactly.

The CHAIRMAN. Now, if he was one of those fellows that bought the whole 100 pounds of sugar at once, it might be possible to give it to him.

Mr. LAMBORN. Yes.

The CHAIRMAN. But it is mighty improbable; is it not?

Mr. LAMBORN. I do not think it is very probable.

The CHAIRMAN. Such things as that do not count?

Mr. LAMBORN. Not in this world; the business is too big, Senator.

The CHAIRMAN. Now, you spoke a little while ago about an interesting thing to me, at least.

Senator JONES. Let me ask some questions about this 3 cents a hundred pounds.

The CHAIRMAN. Certainly.

Senator JONES. You say that when you were handling these sugars you bought them as cheaply as you could get them from the refiners?

Mr. LAMBORN. Always.

Senator JONES. Did you ever take into consideration as small an amount as 3 cents a hundred in such dealings?

Mr. LAMBORN. The market generally goes by 5 cents or 10 cents a hundred pounds, and always the Federal's price or Arbuckle's price or McCahan's price or the Pennsylvania's price goes up or down 5 cents or 10 cents a hundred pounds. When we had th supply and demand operating, the trade always went to the sellers, except those people who thought that they had tc certain brand of sugar; and any refiner, whether his capa 3,000 barrels or 10,000 barrels a day, who would cut the m the summer time or even in the wintertime and keep open cut which the other refiners would not meet for a period some one hour, generally for six hours and infrequently for a da oversell himself for a period of two weeks to 30 days. I have finers oversell themselves for two months by cutting the cents a hundred pounds.

Senator JONES. And sometimes they would cut it 5 cents a hundred pounds?

Mr. LAMBORN. Sometimes 5 cents a hundred, sometimes 20, and I have seen it cut half a cent a pound. Of course these violent fluctuations——

Senator JONES. And you would give your wholesale customers the benefit of that 5 cents a hundred, would you?

Mr. LAMBORN. Invariably; because we do not buy sugar in this country as merchants. We are brokers, and are not, as I have tried to explain to you, Senator, middlemen in the conception that you and the other Senators and the average man know the man handling feed or grain or potatoes or stuff of that kind, where he buys from a man, seeking the cheapest seller, and then seeking the highest buyer. Our brokerage is paid for the service of keeping our trade supplied with information; and your wholesale grocers in New Mexico [addressing Senator Jones], whom we do not sell to, if we were selling them from our New Orleans office, or if we were selling your trade [addressing Senator Vardaman], which we are, Senator, from our New Orleans office, and your trade [addressing the chairman], from either New Orleans or New York, in open markets, I mean, we seek the lowest refiner; the refiner bills that sugar at the price we buy it from him, and he pays us this 3 cents a hundred pounds. We do not take any risk in this American business in selling refined sugar. I want to get that clear in your minds. We are not acting in the sense of the middleman as you understand it. In other words, the jobber pays our brokerage in the price he pays. The refiner pays it to us for account of the jobber in that way, because he includes it in his cost of refining.

Senator JONES. What I was trying to get at is this: You say a reduction in the price of 3 cents a hundred——

Mr. LAMBORN. No; the refiners do not cut it 3 cents a hundred. They cut it 5 cents, 10 cents, 15 cents, 20 cents, 25 cents, and prices like that.

Senator JONES. I say, you have said that a reduction of 3 cents a hundred pounds would not benefit the consumer any. How much of a reduction is necessary before the consumer gets the benefit of it?

Mr. LAMBORN. I should say a reduction of 10 points would be the minimum. In other words, if a jobber in Kansas City or in Hattiesburg, or wherever he may be, or in Las Vegas—I do not know what town you come from, Senator—if the Western Sugar Refining Co. or the beet people cut the market 10 cents a hundred, and there was serious competition among the jobbers there, they might, in selling that to the retail trade, cut their price 10 cents a hundred. I do not think they would do it for 5 cents a hundred; certainly not in your territory.

Senator JONES. Who would get the benefit of a cut of 5 cents a hundred?

Mr. LAMBORN. The retailer would get it, not the consumer, certainly not. He could not get it, Senator, because, for instance, you take New York City. The average buyer in New York City, where the population is so dense, where there are 5,000,000 or 6,000,000 people in that metropolitan district, buys 1 pound or 5 pounds; very seldom more than 5 pounds. Now, how could you possibly give them the

benefit of a cut of 5 cents a hundred pounds? If the market was cut, as it has been cut during the last 2 years, sometimes half a cent a pound, he might, on a purchase of 5 pounds, save 2 cents.

Senator JONES. What is the object, then, in making a cut of 5 cents a hundred? It does not increase the consumption by lowering the price to the consumer. What is the object in reducing it only 5 cents a hundred?

Mr. LAMBORN. I will tell you. When the margin was 84.7 a hundred pounds over a period of nearly 20 years, an average margin of that kind, where refiners were taking great risks in buying 60-day and 90-day supplies of raws, where they might have made a profit and then simply cut the market 5 points, and another man might cut it 5 or 10 points—frequently we have seen as high as 5 cuts by one refiner of 5 or 10 points on a single day—the entire profits might be wiped out; and when the margin was 84.7 points, a cut of 5 cents a hundred pounds was not a serious cut, but a 10-point cut was frequently a very serious cut, and a 15-point cut would wipe out the refiner's entire profit on the 100,000 barrels or the 200,000 barrels or the 50,000 barrels he might sell; but it never got to the ultimate consumer unless the price declined during a period of six months or a year to the extent of 1 cent a pound, or advanced that much.

Senator JONES. What is the purpose, then?

Mr. LAMBORN. Competition; the serious competition that has existed in the sugar business ever since I was a boy. There has always been serious competition, best illustrated by the fact that the American Sugar Refining Co., when I went into the business as a broker, had practically the same amount of sugar in tons to refine that they are now refining. At that time they controlled practically 95 per cent of all the sugar in the United States. To-day, as you know, they control but 40 per cent; and the independent refiners have built themselves up at the cost of great effort, great fighting, during all this period of years, until now they have about 12 to 13 refineries.

Senator VARDAMAN. Do you mean to say that the objection to Mr. Babst on this commission is due entirely to his effort to cut out the broker?

Mr. LAMBORN. Senator, positively not. Our firm, since the 1st day of November, have in our circular, as a matter of what we considered our conscientious duty, almost our religious duty, at great risk to our business, especially in the future, when we were not under food control—this man certainly will never forgive our firm for the attitude we have taken. We never thought he was going to cut off the brokers. That has not anything to do with my feeli against him—not that much [snapping the fingers].

The CHAIRMAN. What do you say you have done? You did n tell us what it was.

Mr. LAMBORN. We have issued circulars during a period of fi weeks since the 1st day of November showing the practices of tl man, calling attention to them openly.

The CHAIRMAN. That was before he cut off the brokers?

Mr. LAMBORN. Nearly a month before. We have called it oper to the attention of the entire trade of the United States and t sugar trade of the world, issuing 5,000 to 7,000 circulars week which we have voluntarily issued. We never have accepted a pen

for our weekly. We are not a statistical paper like Willett and Gray and some of these other papers; but we have put these circulars out, paid for them ourselves, paid for the stamps out of our own pockets, to show this man up in the position in which we honestly and truly believe he is, and we have done it as a matter of absolute duty, knowing that when the food control was over he certainly would eliminate us as far as distributors of sugar for his company was concerned, if he still is with the American, and we would welcome it under competition. If you want to see these letters which have gone to all your trade, which have gone to every distributor and every manufacturer in the United States, to every buyer and every producer of sugar throughout the world as far as we know his name, I shall be glad to produce them.

The CHAIRMAN. You may file a set of them with us.

Mr. LAMBORN. We have called him openly sophistry personified and an opportunist rampant. [Laughter.] We have nothing to take back from it in view of his recent action, and I know that we expressed, and I voice, the feeling of unrest and suspicion in practically the entire sugar trade of this country.

Senator VARDAMAN. I think the investigations are bringing out the fact that it is quite unfortunate that these patriots for pelf should be placed in positions of that character where they have to pass upon questions of a public nature which affect their private pecuniary interests.

Mr. LAMBORN. Senator, you speak of them collectively. I have known Mr. Jamison for many years. I think he is a man who is a real patriot.

Senator VARDAMAN. I am not talking about this commission particularly. I am talking about the system in vogue generally—the coal system, and the selling of clothing to the Army, and all that.

Mr. LAMBORN. I will state that as far as the other members of that committee are concerned, I believe that Mr. William A. Jamison is a true patriot and a man who was taking a tremendous duty upon himself in accepting a position on that committee. He did not have to. He has nothing to gain. He has everything to lose from the standpoint of his pocket. He is a very wealthy man and a very busy man. I have heard some testimony to the effect that Mr. Rolph gave up a most lucrative position, has no connection sugar interests at all, and gives his undivided services to this thing. The other man is president of the American Sugar Refining Co., and all the men until recently connected with the International Sugar Committee, and the clerical force there, and the executive force, and in such positions as Mr. Mott's, all came from his company.

Senator JONES. You speak of Mr. Jamison. He is in the sugar business, too, is he not?

Mr. LAMBORN. Yes, sir.

Senator JONES. You have not made any complaint of his being on that committee.

Mr. LAMBORN. No, I have not, and I never will, and you will never find anybody else in the trade making complaint of him.

Senator JONES. Has not he the same opportunities as Mr. Babst?

Mr. LAMBORN. Undoubtedly; but Mr. Jamison——

Senator JONES. Why do you not object to him, then?

Mr. LAMBORN. Because I have never spoken to Mr. Jamison since he was on the international committee until I met him in the Indian Affairs room about two week ago. Why? Because there never has been in my mind the slightest thought that he would use his position for his personal gain or that of his company.

Senator JONES. Then it is not the fact of his being in a position to get this information which you object to so much as the character of the man who would probably use it to his advantage? Is that it?

Mr. LAMBORN. My personal opinion of Mr. William A. Jamison—let me put it to you this way—is that if you and I were refiners not on that international committee and he was serving on that international committee, he would favor us to his own disadvantage before he would take the slightest advantage to himself. Now, that is from a personal experience with Mr. Jamison covering many years.

Senator JONES. The mere fact, then, that Mr. Jamison is in the sugar business does not in your opinion disqualify him for a position on that commission?

Mr. LAMBORN. No; and there are other men in the sugar business that would not be disqualified either, in my opinion.

Senator JONES. I see. Then your criticism goes not to the system of putting sugar men on the commission, but to putting on the commission the kind of men that Mr. Babst is?

Mr. LAMBORN. Well, now, I have given considerable thought to that, and my feeling is centered as you can see here, on the particular man, Mr. Babst. Do you see.?

Senator JONES. Yes.

Mr. LAMBORN. But I believe that if it could have been found that there were men among the people not in the sugar business, broad-minded men, such men as you know and as I have met time and again during my life, who have a broad grasp of big situations, who could quickly adapt themselves to the sugar business, there would probably be less unrest if there were no refiner on that committee. But, understand, I am not criticizing the other two members of that committee. From this correspondence with Mr. Rolph I am satisfied that some one influenced Mr. Rolph to take that position and not that Rolph desired to do it, but because he was not familiar with the terms and conditions of the sugar business in the East; that is all.

Senator JONES. You think, then, that it is all right to have Rolph and Jamison on that commission?

Mr. LAMBORN. Listen: I have tried to make myself clear. I believe, as an American citizen—not as a broker or as a merchant in sugar—that it probably would have been better if broad-minded men could have been put on that commission and then worked with the refiners' committee, men who were not in the sugar trade, but had a broad grasp of large businesses; but since these other two men are on the committee, I do not believe that Mr. Hoover could have selected better men. In the first place, I should like to qualify it and tell you why.

I do not think Mr. Rolph has the knowledge of the eastern sugar business that some of the men in the business have, but I think he is the ideal man to bring men together, and I believe if he has no bad influences around him he can cement and make cohesive not only the refiners, so that they will work harmoniously with the Food Administration,

but the merchants and the brokers. I stated to Mr. Rolph on August 29: "When you come to New York, you will find there a situation different than you have had on the Pacific coast. You know something of it, but you do not know all about it. If you will come to New York and hire a hall and get all the refiners, all the leading merchants, all the leading brokers together, and meet them and talk with them and get their ideas, and talk the way you are talking to me, you will have a situation and a condition in the sugar trade that never existed here before." But to the contrary, Senator, in all this period I tell you I do not believe that any merchant, with possibly one important exception in New York who has cause to be very close to Mr. Babst—I do not believe that any of the merchants and certainly none of the brokers, so far as I know, know anything that is going on, whereas heretofore the refiners depended on the merchants and the brokers. Why, the refiners never attempted to buy sugars unless they asked——

Senator JONES. Well, now, Mr. Lamborn——

Mr. LAMBORN. You have asked me a question, and I have tried to answer it. I have tried to answer you honestly and not as a sugar broker, but as an American citizen, trying to answer you in the line of my duty.

Senator JONES. I believe that is true, but I want to be a little briefer if I can. You do not think Mr. Jamison is going to be a figurehead on that commission, do you?

Mr. LAMBORN. No; and I will tell you why: As many times as I have met Mr. Jamison, frequently in the past several times a day, and although I think I am supposed to know Mr. Jamison as well as any broker on the street—I believe that is correctly stated—I do not know anything about him on that international committee. I know that he is almost a sphinx in business. I know that I have taken very large propositions to him, as much as 300,000 bags of Louisiana sugar at a single time, and he has said to me: "I will think it over; bring these men back at 3 o'clock, and I will let you know." I have gone back at 3 o'clock, and he said: "Have you a contract drawn up?" "No; we did not suppose you would be interested." "Well, I am interested, and I will buy those sugars"—as quick as that. On another occasion, I waited for him for an hour to sell me 20,000 tons of sugar for export. His attitude when I went to see him first indicated very clearly to my mind that he expected to sell it. When I went back in an hour he said: "Not interested," and that was all there was to it.

Senator JONES. Who told you that?

Mr. LAMBORN. Mr. Jamison, in the past. I am speaking of what has occurred in the past, sir. I do not think any one can fathom his mind who is not connected with his own business. Therefore I certainly do do not think he will be a figurehead—no; but how aggressive he will be, I do not know.

Senator JONES. Mr. Lamborn, as I understand it, all that the commission has to do is really to allocate the raw sugars which are imported into this country, is it not?

Mr. LAMBORN. No, no; they do not allocate the sugar; they buy the sugar. The American refiners' committee allocate it.

Senator JONES. Now, let us see if we understand each other or not. My understanding is that the international commission buys the sugars and allocates them as between the Governments.

Mr. LAMBORN. Oh, yes.

Senator JONES. That is true, is it not?

Mr. LAMBORN. Yes; the Royal Commission on Sugar Supply, of which Sir Joseph White-Todd——

Senator JONES. They allocate the sugar to the various allied Governments?

Mr. LAMBORN. Those foreign members allocate the sugar to the allied Governments, the British, French, and Italian; yes.

Senator JONES. That was my understanding of it. The quantity of sugar which comes to America, then, is allocated by this other commission, or refiners' committee, of which Mr. Babst is not a member?

Mr. LAMBORN. No; but the vice president of his company is—Mr. Parker.

Senator JONES. Yes. Now, referring to this international committee, what did Mr. Babst gain by any knowledge he had by reason of being on the committee? What could he do? He could not allocate the shipments to his refinery, and he would not have any more information than Mr. Jamison would have or Mr. Rolph would have. In the first place, I am at a loss to see just how he could benefit, knowing the quantity of sugar which could come to America, when Mr. Jamison would know it and Mr. Rolph would know it, and you do not complain as to those two gentlemen. Do you think that Mr. Jamison would sit on that committee and permit Mr. Babst to take personal advantage of the situation without making some trouble over it? Do you think Mr. Jamison would do that?

Mr. LAMBORN. You have now put a question that I would prefer you had not put. No, I do not think he would knowingly; but the very fact that Babst is doing business and is prominent on the international committee as well as president of the American Sugar Refining Co. shows clearly that he will do for his company what he can, and Mr. Jamison will do for his company simply in accordance strictly with the spirit of that contract.

Senator JONES. So far as the Cuban sugars are concerned, the fact that he will favor his own refinery in some way—just how, I must confess I am unable to understand—is a mere supposition, is it not?

Mr. LAMBORN. I think it is based on a pretty clear fact in regard to that Louisiana purchase.

Senator JONES. But the sugar had not come in yet.

Mr. LAMBORN. I say I think it is based on a pretty clear fact in regard to the Louisiana purchase.

Senator JONES. What you are complaining about is the Louisiana situation?

Mr. LAMBORN. Not alone.

Senator JONES. And you take that as conclusive evidence that Mr. Babst is going to use his position here in regard to the Cuban sugars to his private advantage, as I take it. You are referring now to the Louisiana situation as conclusive evidence of that fact?

Mr. LAMBORN. I say that the amount he received from the Louisiana transaction, and if he had received the amount he expected and that he had contracted for, would certainly have worked materially to his benefit. The fact that he is forcing package sugars on an unwilling trade is another thing, and the fact that he was pushing sugars to the retail trade under this contract, which he should not have done,

taking that profit; and the fact that he is attempting to wipe out the brokers and their small profits—all of these things I think are sufficient to draw a conclusion from.

Senator JONES. You think all those things establish the fact that he is untrustworthy, and therefore he will use his position to his personal advantage?

Mr. LAMBORN. I will say this; that I, as a merchant, having built up from 60 to 65 per cent of the entire export business in refined sugar from the United States during this war, and considering that prior to the war there was practically no export of refined sugar, that we will be in a state of unrest, as we are now in a state of alarm, if this man continues on the committee and must know not only the national but the international business. I can not sell a cargo to Switzerland or Norway, as we have done in the past, without that man knowing in advance all about it. We sacredly guarded those things before. After we knew that this man was going to use those things to his own advantage we were naturally in a disturbed state of mind, and if you were in our position you would be in a disturbed state of mind, and we are not alone in it.

Senator JONES. I think if I were a broker at this particular time, knowing what I do from the testimony here, I should be very much concerned about my business. But that is another question. Now, what relation do you say you had with the English Government? They appointed you what?

Mr. LAMBORN. I am their personal agent in the distributing of tonnage pertaining to the shipment of sugars from the United States and from Cuba.

Senator JONES. Yes. Now, then, your firm is also a brokerage firm?

Mr. LAMBORN. Yes, sir.

Senator JONES. And they are also merchants?

Mr. LAMBORN. Yes, sir.

Senator JONES. Has your firm sold any sugars to the allied countries since you have been agent for the English Government?

Mr. LAMBORN. As brokers we have sold them very large amounts in competition with all the other brokers. Any broker could compete for that business.

Senator JONES. Did the fact that you were agent of those countries, to control the tonnage, and your knowledge of when you were going to have tonnage, and the extent of it, aid your brokerage concern either as brokers or as merchants in their competition with other brokers and merchants?

Mr. LAMBORN. Before God I can truly say that it never did.

Senator JONES. It never did?

Mr. LAMBORN. It never did and I can tell you why. That is hard for you to understand, I judge, from the careful manner in which you have prepared that question. We never had tonnage allotted to us until after the sugars were sold. We frequently do not know until long periods after the sugar is sold when the tonnage will be allocated. That is a positive statement of fact.

Senator JONES. But you did know that you would be in possession of this knowledge as to tonnage before any other broker?

Mr. LAMBORN. Yes; but, Senator Jones, please bear strictly in mind that no tonnage has ever been allotted to us to distribute until the sugar has first been purchased.

Senator JONES. Well——

Mr. LAMBORN. In other words, there was no advantage that we ever used. There was an advantage if we had desired to take advantage of it after the tonnage was allotted; but we have never used that advantage, and I know our worst competitors will say so.

Senator JONES. I am not trying to show you have used it to your advantage.

Mr. LAMBORN. But you apparently tried to get from me a reply showing that I had an advantage in holding that position. There never has been any advantage.

Senator JONES. I was trying to ascertain whether or not you had used your position for any advantage and show that you were in a position to get some advantage to your concern. I did not mean to intimate that you had done so and I do not intend to intimate such a thing now.

Mr. LAMBORN. Well, I have replied very emphatically. We have never been in the position, even if we wanted to—we have been in a position, when we had raw or refined sugars sold, and we will say other brokers at the same time had raw or refined sugars sold, but I know that our worse competitors know that we leaned over to supply them equally with ourselves, frequently against our own interests; and, furthermore, the Royal Commission on the sugar supply know that, and some of those competitors are right in this room.

Senator JONES. I am not going to accuse you of doing any wrong and I do not want the intimation to go out that I am supposing that you have done anything wrong.

Mr. LAMBORN. I am not holier than thou in any sense of the word, but I certainly have done my duty by the Royal Commission.

Senator JONES. The point is this. If you were in a position to lean in favor of your competitors, were you not in a position to lean against your competitors? Not whether you did or did not, but if you were in a position so that you could lean in favor of your competitors, were you not in a position to lean against your competitors?

Mr. LAMBORN. As I have told you, we never in advance had a benefit. After business has been consummated we could, had we desired to do so, have aided ourselves slightly in allocating tonnage to move sugars from sellers from whom we had purchased sooner than some other house. We never have done it.

Senator JONES. I see, and I believe your statement is true. I would not question it for a moment. But does not the fact that you were in a position to do that and did not do it, the fact that Mr. Jamison is in a position to do something of the same kind and will not do it, and Mr. Rolph is in a position to do something of the same kind and will not do it, demonstrate, or, rather, establish the fact that the system of putting sugar men into these positions is not necessarily a vicious one, that if there is any fault growing out of this system it is because they happen to get one man whom you believe to be dishonest?

Mr. LAMBORN. I do not say he is dishonest.

Senator JONES. Well, who uses his position for his personal advantage?

Mr. LAMBORN. He may think it is right; he may believe that he is doing his duty. I will answer your question by saying I think.

that if Mr. Babst is off that committee that there will immediately be a state of——

Senator JONES (interposing). I wish you would explain to us a little further what your duties are as agent of the British Government.

Mr. LAMBORN. I prefer not to discuss that feature, unless it is necessary; and then I will only go to a certain point. I tried to make it clear that tonnage is allocated to us. Beyond that there are certain duties that I think I should not go into.

Senator JONES. I quite agree with you.

Mr. LAMBORN. I am not trying to increase or minimize the position we have had.

Senator JONES. I am not going to try to bring out anything you think should not come out, in your judgment, because you know about these things.

Mr. LAMBORN. What they will be from now on I do not know. Our duties may be minimized on account of the fact that Sir Joseph White-Todd is here representing the British commission.

Senator JONES. Did you have anything to do with allocating the tonnage?

Mr. LAMBORN. We had all to do with it, absolutely all to do with it until Sir Joseph White-Todd came here. The vessels would be consigned to us. They may have told us of the amount of sugar that certain brokers had sold to them, we would know that within a few days or maybe a day after other competitors of ours would sell it; but we never made that information public. Then when the vessels would be consigned to us we would distribute them.

Senator JONES. I see. You would distribute the tonnage as you thought should be done.

Mr. LAMBORN. As we knew should be done.

Senator JONES. As you knew should be done, and in that distribution of the tonnage you leaned in favor of your competitors rather than against them?

Mr. LAMBORN. I can truly say that we did, and I believe our competitors will say it is a fact if you will ask them.

Senator JONES. Yes. Well, now, if Mr. Babst were as high-minded a man as you——

Mr. LAMBORN. I prefer that you would not make such a comparison. If you have a fine opinion of Mr. Babst I do not want to take it away, and as I have a very unfavorable opinion of him I hope you will not make the comparison——

Senator JONES. I think it is evident that you have a very unfavorable opinion of him. But if you did have another competitor in there as high-minded as Mr. Jamison, then there would not be any trouble about it——

Mr. LAMBORN. I wish you would leave out the comparison—the remark to the effect "as high-minded as Mr. Jamison." I have not sought the comparison.

Senator JONES. I am using that without any sarcasm whatever. I am not trying to cast any suspicion upon your conduct, because from all that has occurred I have not seen any reason or justification for it.

Mr. LAMBORN. I would like to state that it is very trying to me to be here; I have never sought this opportunity; I have never written to a Senator or Congressman in my life regarding the sugar situation,

and Senator Reed, especially, knows my attitude in this matter. I would like to add that should there ever be a change and Mr. Babst would voluntarily leave, or be asked to leave, the international committee, I sincerely hope that some broad-minded man will be appointed who is outside the sugar business. There has always been fighting and grave unrest in the sugar business anyhow, and we have had enough in the last two or three weeks to know exactly what the sentiment is, and I hope if anybody is appointed, that somebody who is not a refiner or sugar man will be put on that committee.

Senator JONES. In regard to that package sugar which the American Sugar Refining Co. is pressing upon the public, Mr. Babst gave it as his opinion that that was in the interest of conservation and that there was no profit made out of it, and that his company would really profit more by selling in bulk than by this package system, but that he was doing it as a conservation measure. Now your opinion differs from his in that respect?

Mr. LAMBORN. I do not believe that statement to be correct in any sense. I furthermore know that when package sugar was first introduced some years ago, and while the cost of package and the cost of labor has since advanced a good deal, it was then put at 10 and 15 cents a hundred above granulated, and they are now 40 cents on the 2½, 3, and 5 pound packages, and 50 cents on the 1-pound packages above granulated, and I never will believe that they have advanced that much.

The CHAIRMAN. Then this conservation began a good many years before the sugar shortage set in?

Mr. LAMBORN. Yes. I have the authority of the Great Atlantic & Pacific Tea Co. to state that they do not want package sugars. When it was forced on them they were limiting every family—not individuals but every family—to 1 pound of sugar a week. I know it in regard to the C. D. Kenney Co., and Mr. Faut is here to-night and he is available to you at any time. They are the greatest distributors of sugar in the United States, by far the greatest. In the last four months they have not given us an order for one package of sugar, and I know that when their sugars have been sold at retail they have endeavored to give the ultimate consumer some sugar, and in order to do so both these companies I refer to have been forced to destroy the package, which they were forced to buy and pay 40 cents more a hundred for, and have had their clerks use new bags and paper and twine and put up the packages in smaller size. Now, where the conservation is I do not know.

Senator JONES. I see. There may be some difference of opinion about that and I will not pursue it any further. Now, coming to the system which obtained in handling the sugars in Cuba before the establishment of this commission, and afterwards: Before the establishment of the commission, I understand the brokers and merchants were buying sugars in Cuba and the merchant down there, if he thought the market was going up, would hold the sugar for a higher market, and that sort of thing?

Mr. LAMBORN. That was more particularly true of the planters themselves; but the colonos and planters, some of them, were weak financially and during the first part of the year they would have to

pay these moneys back on shipments of sugars in January, February' March, and April, pay so much out of shipments.

Senator JONES. Then the planters would be buying the sugar from the colono?

Mr. LAMBORN. And the merchant would be buying it from the planter at times when the refiners would not take the great bulk of sugar that was being offered.

Senator JONES. And if they thought the market was going up they would hold the sugar and get a higher price for it?

Mr. LAMBORN. If they could; frequently it did not work out that way.

Senator JONES. And I imagine the price fluctuated quite a bit?

Mr. LAMBORN. It fluctuated quite a bit; yes, especially during the war; it fluctuated violently at times.

Senator JONES. And when it fluctuated and went down the people there were buying sugar from these colonos at a low price?

Mr. LAMBORN. Well, the colono sold the sugar until he was out of debt, at what he could get, and then he held the rest of it. Let me hear that question if you please.

(The stenographer repeated the question as follows:)

Senator JONES. And when it fluctuated and went down the people there were buying sugar from these colonos at a low price?

Mr. LAMBORN. The colono during the first period when he was in debt and had to pay his debts back to the central would sell his sugar automatically at the bimonthly price fixed in Habana, and these sugars would be shipped to the ports and held there. The merchant would pay to the central, the central would pay to the colono or credit his account.

Senator JONES. Let me understand that. With these colonos in debt and under absolute necessity to sell sugars in order to pay their debts, did not those buyers down there take advantage of that situation and get the sugar just as cheap as they could?

Mr. LAMBORN. I do not think they took advantage of the situation. The competition in Cuba is very severe; frequently the market price in Habana less the freight to New York is more than it is in New York; in other words the competition is very keen.

Senator JONES. In the cattle market, for instance, when there ia a great big run of cattle on the market it has been my observation that the packers, we will call them, or the buyers on the stock yards, knowing that the cattle are there and must be sold, or that it is more advantageous to sell promptly than to wait, take advantage of that and put down the price of cattle. I think that is probably so in regard to every other commodity so situated, and what I would like to know is whether or not the dealers in sugar are not human in the same way.

Mr. LAMBORN. Well, to an extent, but let me tell you a strange thing, and I think this will be borne out in the testimony——

The CHAIRMAN. This might be an important distinction that you have overlooked, that when cattle are ready for the market they must be sold or there is a loss, and when they are shipped to the market they must be sold immediately or they eat their heads off, whereas sugar can be kept.

Senator JONES. That is true, it can be kept; but if the man must have money, if the merchant who lent him the credit was also buying

sugar, as you stated some of these men were doing, if the packer who loans money to the grower knows that the grower has got to pay the money and he is a buyer, would not he naturally take advantage of that situation to get the product at as low a price as possible?

Mr. LAMBORN. I answer that by saying that many years ago, and probably up to 12 years ago, that was in a large sense true. At that time there were a less number of refineries in the United States, there were fewer buyers, fewer merchants, and those merchants who were in Cuba were few comparatively, and some of them represented the American Sugar Refining Co., the most important buyer in the United States, and at that time there was considerable pressure through the planter on the colono to sell his sugars at low prices, and the prices were very low; the prices were very low then anyway. But now, with Cuba more prosperous and with greater production and less expense in production—that is, prior to the war—of course prices have gone up now and it is not so true. It is strange, but true nevertheless, that these colonos would to-day prefer to sell a portion of their early sugars—that is, their January, February, and March sugars—at a sacrifice and thereby get out of debt, and then speculate on their own sugars and hold them for a better market, which they would think was coming. Now, whether this price of 4.60 is a fair price or a high price or a low price remains to be seen. Tonnage will move that sugar. If not, it is going to be a white elephant, but I believe this: That if it was all going to be sold the colono would prefer to sell his February or March sugar probably at a considerable loss; in fact for the first four months the average price would be less than that price, but later I think the price would come up to the average, because those people are very astute merchants.

Senator JONES. What I am trying to get at is this: The price of 4.60 is the Habana price of raw sugar and everybody in Cuba and the rest of the business world knows that that is the price in Cuba. Will not the colono be able to come nearer getting the full value for his sugar by reason of that fixed and known price than he would be if the merchant whom he owed money and who is going to buy sugar were left free to tell him "We don't know what the market is; it may go up, it may go down, and so we will have to discount the price on your sugar"?

Mr. LAMBORN. My answer would be a pure speculation. I can not tell, because this is a new and unusual situation, and I know that until the thing works for a month or two no one can possibly tell; because the colono has been financed either by the small banker or the merchant or the central, and we do not know what attitude they are going to take toward the colono.

Senator JONES. If the colono, though, knows the price of sugar in Habana he is not going to discount his price much beyond the cost of carrying that sugar?

Mr. LAMBORN. I do not know that, and he does not know it, because he does not know what the necessities may be be in regard to tonnage. The point is that instead of the bulk of these sugars moving in 4 or 5 months they are going to move in 10 or 11 months—that is, if we have the tonnage. If we do not have it I do not know what will become of the colono. I would like to answer your question but I can not answer it any better. You do not want me to sit here and guess at things?

Senator JONES. No. But I am asking you now with respect to an economic law of business. Whenever the selling price of any commodity is uncertain, does not the dealer figure on a margin for the uncertainty, for the risk: does he not try to make a margin which will cover the risk of the transaction?

Mr. LAMBORN. He tries to; but it is simply a try on his part: he may miss it, but he could not now miss it in the United States, and if these Cuban sugars were grown in the United States—in other words, if there were a strip of land instead of a strip of sea between the United States and Cuba, I could answer yes, I believe the colono would immediately know; but that little strip of sea and boats necessary to move that sugar may bring around a very different situation from what we hope.

Senator JONES. But it is a law of business that whoever takes a risk charges for it if he can.

Mr. LAMBORN. Yes.

Senator JONES. Now, when the market is fixed the price is fixed and there is no longer any risk as to the price, there would be nobody to charge anything for a risk, would there?

Mr. LAMBORN. I wish you would ask some one who may understand the local conditions in Cuba better than I do, because I think that there are others who can answer better than I can. I think the colono's mind is in a state of uncertainty until this thing is worked out.

Senator VARDAMAN. The contingency of transportation?

Mr. LAMBORN. Yes; but we do not know what the banker or merchant or central is going to charge the colono and he does not know yet.

Senator JONES. That is quite true, we still have the contingency of transportation; but suppose we had that contingency plus the contingency of prices, would not that make it a double risk where we only have one risk now?

Mr. LAMBORN. Yes.

Senator JONES. And would not somebody have to pay in a double measure?

Mr. LAMBORN. Yes; but we do know that the allies and the United States control the tonnage, and whether it is a right price or whether it is right to make the price as they have done, I am not going to question; but I do know that tonnage is the fundamental thing in the world to-day next to life and death. It does not make any difference how much food or how many soldiers or how great a quantity of munitions we have, if we have not the boats they will stay here. We see that situation in Java at the present time, when they have 800,000 tons, approximately, which is not being moved. I hope we will have the tonnage to move the soldiers and supplies and munitions and the Cuban crop, because I think that sugar is absolutely necessary to win this war.

Senator JONES. Well, it seems to me that assuming that the 4.60 price is an adequate one, that having a definite and fixed market that that price would tend to stabilize the market and give the producer down there a greater percentage even at that price than if the price were not fixed.

Mr. LAMBORN. I will say surely, to the man who grows his own cane, that is, the factory, that is, administration cane, certainly; but as to the colono I can not say.

The CHAIRMAN. Now suppose that before there was any brought there there were a thousand buyers ready to buy colono sugar, and that on this side of the water there were plenty of buyers to take it off the hands of these people in Cuba, the colono would have an immediate market, would he not?

Mr. LAMBORN. There would hardly be a thousand buyers.

The CHAIRMAN. Well, say a large number. He would have an immediate market?

Mr. LAMBORN. Yes.

The CHAIRMAN. You do not know what kind of a market he has got now; you do not know whether the distribution of these sugars over the entire year and the fact that there is only one purchaser on this side, you do not know what shape that has left the colono in?

Mr. LAMBORN. Not the colono; but it has left the man who grows his own cane and has his own central in a favorable position.

The CHAIRMAN. Provided he does not owe a lot of debts he has to get money to pay.

Mr. LAMBORN. That is right.

The CHAIRMAN. You heard Mr. Knight say that the colono was frequently a victim of the money lender because he was compelled to sell his sugar at a discount. You do not know whether that is accurate or not?

Mr. LAMBORN. No; I do not know whether that is accurate or not, but all you have to do is to ask a representative from the Royal Bank of Canada, which has 25 branches in Cuba; or the Banco National of Cuba, that has many branches in Cuba. Those are the style of banks that lend money.

The CHAIRMAN. Is the position that Mr. Babst is in one that would give him an opportunity to know of the transactions of his rivals; that is, he would know the amount of sugar allotted his rivals, and he would know when they would receive their sugars—others might know that—but would it give him any advantage in the way of learning the business of his rivals any better than he knows it to-day?

Mr. LAMBORN. I can not say to what extent, because under the contract they all have their allocation based on their melt and they know what they are going to get.

The CHAIRMAN. You have been asked a good many questions about this board and you evidently do not feel like criticizing anybody but Mr. Babst, and we are not asking you to; but as a matter of fact do you regard it as a proper and fair way to conduct business, the business of a country, looking at it from the broad, general standpoint, to put that business in the hands of men who have a direct interest in the business?

Mr. LAMBORN. Senator, I have such a sublime confidence in William A. Jamison——

The CHAIRMAN. I am not asking you about individuals but about a principle——

Mr. LAMBORN. In principle I think——

The CHAIRMAN. I am perfectly willing to say that if men like Lord Bacon, who took bribes, and yet contended that he always decided a case the right way, were on the board, that might present another question, but that is not the question here——

Senator JONES. I do not know that the witness is an expert——

Mr. LAMBORN. I am not posing as an expert in anything; I am simply an old-fashioned broker, that is all.

The CHAIRMAN. You were speaking about permission having been given to somebody at some time to sell sugar at 11.50——

Mr. LAMBORN. No; at 10.50.

The CHAIRMAN. Very well. What sugar was it and who gave that permission?

Mr. LAMBORN. Mr. Rolph. It was sugar, as I have explained, 4,000 tons sold to the Algerian Government. An embargo was placed against that sugar. The sugar cost the ultimate buyer 9.70, including the duty on this side of the water. It would have cost them a cent less in bond.

The CHAIRMAN. Where did that originate?

Mr. LAMBORN. I do not know what raw sugar company produced the raw sugar. The sugar was manufactured in New York by the Federal and Warner Sugar Refining Cos.

The CHAIRMAN. Was this 10.50 wholesale price or the retail price?

Mr. LAMBORN. The price, as I have explained, was practically 8.70 cash in bond, to which we add about a cent duty, making it 9.70 with the duty that it cost the people who purchased it. Now, it could not be exported, so Mr. Rolph stated that we could sell it to manufacturers or to distributors to the retail trade providing the distributors to the retail trade would not sell it at greater than 50 cents a hundred pounds, or ½ cent per pound above the cost to them net.

The CHAIRMAN. When was it that this sugar was allowed to be sold at 10.50?

Mr. LAMBORN. I think it was in the latter part of October, and the reason it was sold at that price was because it was cube sugar, which was selling from 75 cents to $1 a hundred above granulated. So it was worth that price.

The CHAIRMAN. Was this an advance over the Cuban price, making allowance for the cost and freight, etc.

Mr. LAMBORN. Now, listen, Senator. It is a very complicated situation to explain. These sugars were sold to the Algerian Government before the food bill was passed. They were sold at the very highest point of the market.

The CHAIRMAN. I understand, but there was nothing in this connection until after the President's price had been fixed?

Mr. LAMBORN. Yes; but that had nothing to do with the Cuban price and had nothing to do with the international committee. It was sold here because tonnage was not available and because an embargo had been placed on sugar, and——

The CHAIRMAN. Now, let us stop right there. I know that, but what I want to know is this, whether the price of 10.50 was a higher price than the price fixed for Cuban sugar at that time, with the freight and all the necessary costs added?

Mr. LAMBORN. It was a higher price by, in round figures, 42 cents a hundred pounds. These sugars were actually sold at 77 cents a hundred pounds not over the parity of granulated sugar at the same time. In other words, the net parity for granulated sugar was 8.18, and for cubes 8.93; but these sugars were purchased during the culmination of the rise in July or August, and the purchaser at that time paid a higher price than subsequently obtained.

Senator JONES. A while ago you said the purchaser paid a lower price.

Mr. LAMBORN. I was mistaken in the figures here. I did not know what price the sugars were sold at, and——

The CHAIRMAN. He was mistaken in the figures that he took.

Senator JONES. He was manifestly mistaken in his figures, but I can not understand why he is manifestly mistaken in his reasoning.

Mr. LAMBORN. I know why the sugars were sold because we could not export them, and Mr. Rolph asked that they be delivered to the trade in the United States. England and France would not buy cubes because they were a luxury.

Senator JONES. Yes, I understand that; but I thought perhaps you were speaking a little inadvertently when you gave the reason that they were bought for less, and now you discover that they were bought for more.

Mr. LAMBORN. Senator, I can not carry in my mind all the facts as to what sugars were sold at.

Senator JONES. I think you inadvertently made that statement.

Mr. LAMBORN. If I had in mind the fact that the sugars were sold in June or July or August, I could tell you why the price was either high or low, because the rise began in June and culminated in August.

The CHAIRMAN. Well, it is perhaps not very material. Now, you have stated that if there had been no regulation and there had been an open market, the great question would have been one of tonnage, in delivering the Cuban crop. The Cuban crop this year is the largest in history, is it not?

Mr. LAMBORN. They anticipate the largest crop in the history of the island.

The CHAIRMAN. Yes; and I am speaking now of that crop. You said that you think the first part of the crop would have gone below the price of 4.60; that is your opinion based upon your experience in the sugar business, and I suppose based upon the three years that the war had existed before we got into the war. How high do you think the balance of that crop would have gone? Do you think it would have gone above 4.60; and if so, how much—the latter part of the crop?

Mr. LAMBORN. That is my opinion. If the tonnage was available, from the fact that the invisibles of the allies are exhausted and that our invisibles are exhausted, and the invisibles of the neutrals are exhausted, I think that the end of that crop would sell at a price sufficiently high to at least equal the 4.60 basis for the entire crop; but it might sell higher or it might sell a little lower, but I think——

The CHAIRMAN. Do you think there would be 20 cent sugar or 25 cent sugar or any such figures as that?

Mr. LAMBORN. Do you mean based on the apparent visibles for supplying the allies and the United States and neutrals for this coming season?

The CHAIRMAN. There has been testimony given here, and I am not talking about visible supplies or apparent supplies, but just take the situation given, as a sugar man who has been in the sugar business nearly all of your life, and observing sugar prices before the war, and since the war, you know the question of tonnage pretty well. There have been some people here who have been telling us that if it had not been for this sugar regulation, sugar prices would have gone to 25 and 30 cents a pound. What do you think about that proposition?

Mr. LAMBORN. I do not care to answer that, because it is purely a matter of speculation. I do not know.

The CHAIRMAN. Do you think it was within the limits of reason at all—any such price?

Mr. LAMBORN. In isolated cases I believe people without control would have taken advantage of the situation.

The CHAIRMAN. I am not asking you about an isolated situation, but about a market.

Mr. LAMBORN. No; I do not believe there would have been a regular market on that basis, because I do not believe the refiners and the wholesalers and the retailers would have taken the risks of sugars, especially with the large crops to come to the Atlantic coast.

The CHAIRMAN. I am talking about this crop coming. I am not talking about the last.

Mr. LAMBORN. I thought you were talking about the crop to come——

The CHAIRMAN. I am talking about this crop coming on now.

Mr. LAMBORN. You say that evidence has been given that prices would go to 25 or 30 cents a pound?

The CHAIRMAN. You can assume that that has been given. I am not trying to have you pass upon another man's testimony. I am asking you about this crop that is now beginning to be harvested. Assuming that the control was removed to-day, that there was no control, what prices do you think sugars would go to?

Mr. LAMBORN. If tonnage is available to move the apparent visibles, I think that the prices would remain, with or without food control, normal; that is, within the lines that they ruled within the past two years.

The CHAIRMAN. You do not think that they would go to any remarkable height?

Mr. LAMBORN. No; if tonnage is available, I do not. Of course, it tonnage is not available to get sugars to this country, then the prices might go to any point that the American people would pay, if they were starving for sugar. That is what you mean?

The CHAIRMAN. You say if tonnage is available; you mean if we can move the Cuban sugars to this country?

Mr. LAMBORN. I believe that without food control the prices would remain this year at about the price that has apparently been fixed for the Cuban crop.

The CHAIRMAN. On the average?

Mr. LAMBORN. On the average; but that is simply a mental speculation, and I would like to qualify it only in this way, that other foods have been rising, especially pork and meat products and canned goods, to such points that sugar is certainly even now the cheapest food we have, even at this high price, and consumption may continue to increase. I believe that consumption has increased materially this year on account of it.

The CHAIRMAN. Notwithstanding all this conservation?

Mr. LAMBORN. Yes, sir; I believe it has, and I believe that most of it came before the conservation went into effect, because we were all——

The CHAIRMAN. You said just a moment ago that you thought it would continue to be large.

Mr. LAMBORN. The consumption?

The CHAIRMAN. Yes, of sugar?

Mr. LAMBORN. Yes, I do.

The CHAIRMAN. And you base that upon the ground that sugar is to-day, even at the prices fixed, comparatively cheap. You think, then, it has not advanced in price any more rapidly than other food products?

Mr. LAMBORN. No, I do not; and I think that comparatively it is the cheapest article of food, and certainly a more palatable one to the average of the masses.

The CHAIRMAN. The fact of the matter is that there is a table in here that shows those comparative prices. We need not go into that to-night, I think. Do you know whether in making up the sugar regulations there was any attempt to regulate the profits or the charges that were to be made by the wholesaler? They fixed the refiner's at $1.30. Now, what did they do with the wholesaler?

Mr. LAMBORN. I have never seen the letter of instructions, if one was given, but I know that the wholesalers generally believe that they are entitled to make 25 cents a hundred pounds, and the discount of 2 per cent, if they can get it from their retailer.

The CHAIRMAN. That was their old profit, before the war?

Mr. LAMBORN. No; I do not think so. I think that the profits on sugar varied materially.

The CHAIRMAN. This 25 cents a hundred pounds that you say they aim to make, was that the condition that existed before the war? Did they aim to make that before the war?

Mr. LAMBORN. No; I think they made less than that on sugar, and they made a relatively higher profit on other staples similar to sugar; although I am not sure of this, but I understand that there are a number of staples, 10 or 12 of them, that are now being sold at a basis less than before the war, and some of them higher, and among them sugar, in order to equalize the jobber's profit. I have been told that by leading wholesale grocers.

The CHAIRMAN. Do you mean that the jobber has been permitted to raise his profits on sugar over what they were before?

Mr. LAMBORN. In direct answer, yes; but in the main he has not raised his profits. I doubt if a jobber will make more money per hundred thousand dollar's worth of goods he sells now than he made in the prewar period.

The CHAIRMAN. I am not now dealing with jobbers' profits on other staples. I do not want to get this sugar business mixed up with everything on earth.

Mr. LAMBORN. I realize that, but——

The CHAIRMAN. I want to know, if you can tell us, what the jobber's profits were before food regulation.

Mr. LAMBORN. I know of sugar jobbers who from day to day sold sugar at their refiner's cost, but as observers of the market and buyers on the market, and using their own judgment plus the judgment of their brokers, they have taken large quantities of sugars and contingent risks therewith, and have been able to sell on a rising market, taking the profits of the rise, and each year, although they have sold at less steady profit than they could under the present ruling of the Food Administration, the average profit has probably been greater to them in the past. That is a little involved, but I think it is the truth.

The CHAIRMAN. That does not get us anywhere. Now of course the jobber handled sugar and either made something on it or did not make anything on it. Was there any fixed rule? Was there any profit that they expected to make and that they ordinarily did realize, speaking by and large, of the whole trade, on sugars before food regulation?

Mr. LAMBORN. Sugar has always, since I have been in the business, until now—until since the 1st of October, we will say—been a leader for the wholesale grocer to sell the retailer. He undoubtedly did make on tea and coffee and fancy brands and canned goods and dried fruits, and things of that kind, a greater profit than he will now make on them under the food control. I believe the average profit of the jobber will be about the same. He is making more money specifically on sugar, I believe, at this time, but the amount that he is making is not any more than the average cost of doing business to the jobber, as I understand it. It has been testified here, I believe, that the jobber's cost of doing business is about 10 per cent. I think that is a little high. It may be 10 per cent, but I think it is more nearly 8 per cent, and there is not 8 per cent in selling sugar at 8 cents plus 25 cents.

The CHAIRMAN. I want to say, because I see a representative of Mr. Hoover here at this time and perhaps several of them are here, that we have asked a number of days ago for all of the regulations that have been promulgated in reference to sugar, and Mr. Hoover said he would bring them, and he has just allowed it to slip his memory, no doubt, and we would like to have them here.

Mr. LAMBORN. I will say, Mr. Chairman, as a representative of the Food Administration, that if those documents are not here it is an oversight, and I will see that they are here.

The CHAIRMAN. Not the regulations only, but everything pertaining to sugar.

Mr. LAMBORN. Everything pertaining to this matter of sugar; yes.

The CHAIRMAN. Yes.

Mr. LAMBORN. Mr. Chairman, may I make a statement?

The CHAIRMAN. Certainly.

Mr. LAMBORN. I have no one here to turn to. I turned to-day to Mr. Lowry in figuring, and if I am wrong in working out this average, so that it brings down the profit of the jobber on many staples, even if it does apparently lift his profit on sugar, I want these gentlemen to correct me.

Mr. MCGINNIS. In regard to sugar, the instructions have gone out asking the dealers to confine their profit to the prewar normal on sugar, and in no case exceeding 25 cents.

The CHAIRMAN. That is what I want to get at. What was the prewar normal? There was a prewar normal. What was it? There must have been, to base that instruction on; otherwise the instruction would be based upon nothing.

Mr. LAMBORN. I will answer you in this way, by stating that I do not believe that the present amount of 25 points, plus 2 per cent, will bring a jobber out even, if he was handling sugar alone. In other words, I do not believe a man could come out—he might under food control, where there was only going to be a certain amount of sugar delivered, and there was not a sufficient supply of it, and they could not get enough of it to supply the trade, plus the allies, and

plus the neutrals. I doubt very much if he will break more than even on it, if that.

The CHAIRMAN. I will ask the stenographer to read what Mr. McGinnis said.

Mr. MCGINNIS. I said the instructions were issued to jobbers to confine their profits on sugars to their prewar normal, in no case to exceed 25 cents a hundred pounds, taking no account of the 2 per cent discount.

The CHAIRMAN. That was the instruction to the wholesaler. What about instructions to the retailer, inasmuch as he was subject to control?

Mr. LAMBORN. I believe that he is simply to take a reasonable profit, and that the press of the United States is to keep in close touch with the Food Administration, and where they find that retailers are gouging the public, it is a case of moral suasion.

The CHAIRMAN. No, I am asking Mr. McGinnis.

Mr. MCGINNIS. This is not in my department, Senator.

The CHAIRMAN. I am asking you, for the present. Do you know whether there was a written or printed regulation sent out about retailers?

Mr. MCGINNIS. No; I do not.

Mr. LAMBORN. I do not think there was anything added to it, unless they did a business of over $100,000 a year.

The CHAIRMAN. But the point I want to get at now is that when these refiners got together to fix their differential, they raised it from 84 cents to $1.30, because of the increased cost of doing business during the war; but they did not raise the brokerage. The broker's commission was not raised any, and they did not allow for any additional profits to the wholesaler; he was limited to the prewar normal. So that they took care of themselves pretty well but they did not take care of anybody else. That is about the situation, then. You did not get any raise, did you?

Mr. LAMBORN. No. We anticipated that we would get a raise of possibly 4 cents per 100 pounds, because one refiner at least in the United States voluntarily raised their brokers, on account of the increased cost of doing business, plus the cost of living to their clerks, and so forth, to 4 cents a bag.

Senator VARDAMAN. You are about to lose it all?

Mr. LAMBORN. With the American Sugar Refining Co., I believe they contemplate eliminating the broker.

(At 11 o'clock p. m. the committee adjourned until to-morrow, Tuesday, January 8, 1918, at 10.30 o'clock a. m.)

SHORTAGE OF SUGAR.

TUESDAY, JANUARY 8, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., Hon. James A. Reed presiding.

Present: Senators Reed, Vardaman, Jones, Lodge, and Kenyon.

TESTIMONY OF MR. FRANK C. LOWRY.

The witness was sworn by the chairman.

The CHAIRMAN. Mr. Lowry, what is your place of residence?

Mr. LOWRY. Montclair, N. J.

The CHAIRMAN. What is your occupation?

Mr. LOWRY. Sales manager of the Federal Sugar Refining Co. of New York.

The CHAIRMAN. How long have you been connected with the sugar business?

Mr. LOWRY. Since 1900, and with the Federal Sugar Refining Co. since 1902.

The CHAIRMAN. Does your business lead you to study trade conditions, particularly those matters which affect the sugar market, the sugar supply, and the sugar demand?

Mr. LOWRY. It does.

The CHAIRMAN. I would like to get into the record a clear statement in as short form as possible of the principal sources of America's supply of sugar, and when I say "America" I mean the United States. I am now speaking of normal times, when I make that inquiry.

Mr. LOWRY. We were proceeding on the basis a year ago that we would have a normal supply, an ample supply of sugar for 1917 from Cuba, Porto Rico, Hawaii, Philippines, Louisiana, and domestic beets. The market was rather depressed, and nearly a cent a pound lower than the present prices established by the Food Administration. The market sold down to 3⅞ cents per pound in anticipation of a Cuban crop of something over 3,400,000 tons. It was in February that the first disturbance took place, and that came as a result of a Cuban trouble.

The CHAIRMAN. When you speak of the Cuban trouble, do you refer to political disturbances?

Mr. LOWRY. The political disturbances. It was then realized that if the Cuban crop was to be very short, it would affect our convenient supplies, so that that situation was watched very closely. In May I talked with Mr. Hoover, the early part of May, and I called his attention then to the fact that the Cuban crop would be short of the early estimates and probably would not be in excess of 3,000,000

tons, and possibly less; also that much depended, so far as our supply was concerned, on the amount of sugar Europe took from Cuba in the raw state, and from America in the refined state. This in turn depended upon the amount of sugar which they took from Java. Since the war began, they have been taking a considerable quantity from Java, and it was recognized that the tonnage situation, particularly so far as they were concerned, would naturally make them want to get sugar nearer by, if possible. Even at that time it was known that a food bill would be passed, and that the Government would take over the situation so far as the sugar supply was concerned. That made merchants hesitate to perform their usual task of keeping the market supplied. The prospect of profit naturally encouraged them to do that. So they hesitated. We, the Federal Sugar Refining Co., bought on what we called a strictly hand-to-mouth basis, never purchasing supplies more than 30 to 40 days ahead, because we did not know what was before us.

The CHAIRMAN. Let me get that a little clearer. Do I understand you to mean this, that a man buying on the market without any anticipation of outside interference, would buy, basing his judgment on market conditions, but that if there was to be a law passed and somebody was to be put in control and given great powers, merchants did not dare buy because they did not know what the rulings might be?

Mr. LOWRY. Exactly.

The CHAIRMAN. What the prices might be?

Mr. LOWRY. Exactly.

The CHAIRMAN. And what kind of market conditions there might be?

Mr. LOWRY. Exactly.

The CHAIRMAN. When did it become thoroughly understood that there was to be a food bill?

Mr. LOWRY. In May.

The CHAIRMAN. Mr. Hoover arrived here about the 3d of May, did he not?

Mr. LOWRY. He arrived here about the 3d of May and I had my first talk with him, I think, on the 10th of May.

The CHAIRMAN. And in the meantime on the 7th of May he had been before the Agricultural Committee, I think, and the papers had been full of the fact that he had come here as a food regulator or as a food administrator. Is not that so?

Mr. LOWRY. Yes.

The CHAIRMAN. Will you explain just accurately why it would be that a great refinery could not go and buy sugar under those conditions?

Mr. LOWRY. Yes. We must depend for our profit on the margin between the cost price of raws and the selling price of refined. If we bought ahead, for delivery in August, September, or October, we would ordinarily use our judgment as to what the price would be at that time. Our judgment was worth nothing with the prospects of the food control, because we had no idea as to the way in which they would proceed. This I believe resulted in relieving the merchant of his responsibility to keep the market supplied, and the government assumed that responsibility.

The CHAIRMAN. You speak of relieving the merchant of his responsibility. As a matter of fact, it made it extremely hazardous for

a man to buy large quantities of sugar in advance, when he did not know what price might be fixed or what the regulations might be.

Mr. LOWRY. The merchant would be absolutely unjustified in taking that risk.

The CHAIRMAN. As a result of this understanding that there was to be a food administrator, what followed in the matter of purchases of raw sugars?

Mr. LOWRY. As I stated a moment ago, much depended upon the attitude of Europe, principally the British commission, buying for the allies, in their purchases of Cuban sugar. They had the whip hand over us. They knew exactly what their supplies were, they knew where the supplies of the world lay, and they knew far better than we did the tonnage available to lift it. It must have been about the end of June that they made up their minds that they would not this year bring many sugars from Java, and so looking out for themselves they proceeded to get a supply of what I term the "conveniently available" sugar, which was in Cuba.

Senator VARDAMAN. I would like to know why England had that advantage of us in acquiring that information?

Mr. LOWRY. Our stocks are published. The stocks and statistics for Cuba are published. They knew the situation in Java. That is published. But the thing that is not published is the amount of sugar which the British commission requires, owns or has bought, and another thing that is not published is the tonnage which they will have available to lift sugar either from Cuba or Java or anywhere else.

Senator VARDAMAN. Do you think that advantage was derived through the instrumentality of the Food Administration? Do you think that advantage which they enjoyed was because of the instrumentalities of the food administrator of England?

Mr. LOWRY. The food administrator became the buyer for England, and he would naturally have all that information. If individuals were buying, then they would only know, so far as their particular position was concerned, or what information they might get with regard to their neighbors.

Senator VARDAMAN. I wondered if that was one of the advantages of having a food administrator in England that we did not enjoy at that time. Proceed.

Mr. LOWRY. Great Britain's determination to secure for herself a considerable supply of the Cuban sugar resulted in their going into the market and buying freely during June, July, and August, and that advanced the market considerably. During that period, except for near-by sugar we sat back. We were not able to buy in advance, and England simply got the advantage of us for that reason.

The CHAIRMAN. When you say "we" you mean whom?

Mr. LOWRY. I mean the United States refineries. England had taken the conveniently available supplies, which put it up to us to secure from outside points any sugars that we would need in excess of what was left. I spoke to Mr. Hoover, and wrote him a letter on May 15 in which I called attention to that situation.

The CHAIRMAN. Have you that letter?

Mr. LOWRY. Yes. Of course I did not in May call his attention to what was done in the way of buying by the British commission in June and July, but the letter speaks for itself. Shall I read the letter?

The CHAIRMAN. Just let me see it. I want to see if it is pertinent.

Mr. LOWRY. It is in line with what I have been testifying to, and it shows that the situation was known as far back as last May.

The CHAIRMAN. Very well, we will have the letter marked and introduced in evidence.

(The letter referred to by the witness was marked "Exhibit 215," and is herewith printed in the record as follows:)

EXHIBIT No. 215.

NEW YORK, *May 15, 1917.*

Mr. HERBERT HOOVER,
Chairman of the Food Committee,
Council of National Defense,
Washington, D. C.

MY DEAR SIR: It will be interesting for you to know that a cable just received from Batavia reports that since the beginning of the last Java crop, harvesting of which started in May, 1916, Europe has received 719,000 tons of Java sugar against 368,000 tons of the previous crop. Other countries received 707,000 tons against 807,000 tons of the previous crop; total exports being 1,426,000 tons as against 1,175,000 tons.

Europe in 1917 will probably eat less sugar than in 1916, but even allowing for this, she may require more Cuban raw and American granulated than she took in 1916, on account of the difficulty in the way of receiving so much Java sugar. That is why it is so important that the rainy season should hold off and favorable weather permit grinding for at least another 30 days, so as to make up as much as possible the ground lost as a result of the recent insurrection in Cuba. As a rule the rainy season starts in toward the end of May, after which little can be done in the way of production, except in a very few favorable spots.

Anticipating their wants the British commission has already bought a considerable amount of Cuban sugar for forward delivery, and are constantly increasing those purchases. For this reason it is important that we get so organized at an early date that a cooperative arrangement can be made with the British commission so that we can ascertain how much of the Cuban crop they now own, and how much more they will require, then by figuring up our stocks, probable production, and requirements between now and next December, when the harvesting of the next Cuba crop begins, it can be ascertained whether or not any shortage is likely to exist. If it is found that we will not have enough sugar, working along in a normal way, then steps should be taken to start forward some of this Java sugar, which presumably the British commission will not be able to use this year in as large quantities, and arrangements made to bring this sugar here by steamer or schooner as the shipping situation will permit. In either case it is a long voyage, and no time should be lost in deciding on what is necessary. Such a plan of course can only be worked through cooperation with the British commission, and after a working force here has been properly organized and given the necessary authority by Congress. If Cuba is not going to have as much sugar as Europe and ourselves want from her, and we are to be allowed to bid against each other for what stock there is, it is clear that a very high price will result.

As I explained to you the price for the entire United States is fixed by the value of Cuban sugar plus the tariff. For example the Hawaiian planters work together in an association, and sell their raw sugar under contract running for two or three years. The price to be based on the average duty paid price of Cuban sugar at the time of arrival. The price of refined sugar that they manufacture in their own refineries, the C. & H. and San Francisco, is based on the New York quotation for refined sugar. The Porto Rican interests sell their raw sugar and the price is based on the duty paid value of Cuban sugar. Louisiana does the same thing, and domestic beet producers, like the Hawaiian interests base their quotations for refined sugar on the New York quotation. This situation is developed in the map that I left with you. Therefore, it is clear that when you control the Cuban prices, you have gone a long way toward governing the price of sugar for the entire United States.

Very respectfully, yours,

FRANK C. LOWRY.

The CHAIRMAN. That letter evidently follows the conversation that you had with Mr. Hoover?

Mr. LOWRY. It did.

The CHAIRMAN. And in this first conversation it had evidently been made known that the intention was to take over the sugar business by the United States?

Mr. LOWRY. It was.

The CHAIRMAN. And that is what you mean in the letter when you say if certain things are to be done you must get together and action must be taken at once?

Mr. LOWRY. Yes. I was speaking from the point of the Food Administration. When I said "we" I meant that would be his duty or the duty of those associated with him.

The CHAIRMAN. At that time did you understand or did the refiners generally understand that their purchases in Cuba were necessarily to be restricted by virtue of the impending taking over of the whole sugar business by the Food Administration?

Mr. LOWRY. They did not know anything, but they feared everything.

The CHAIRMAN. Very well. It had not yet been consummated, but there was a general understanding in the country, was there not, that a food administration was coming?

Mr. LOWRY. Yes, indeed; and for our part we talked about it constantly, daily; we said, in mapping out our future policy, "We can not do this, we can not do that, because we do not know what the Food Administration will do."

The CHAIRMAN. When you say "We can not do this, and we can not do that," were you referring to the matter of buying?

Mr. LOWRY. Buying supplies.

The CHAIRMAN. And making contracts for delivery?

Mr. LOWRY. Precisely; making contracts for the purchase of raw sugar, and making contracts ahead for the sale of refined sugar. It worked both ways.

The CHAIRMAN. While this was going on England was getting Cuban sugar?

Mr. LOWRY. Yes.

The CHAIRMAN. Proceed from that point.

Mr. LOWRY. That brings us up to, we will say, the 1st of August. The food bill was passed about that time.

The CHAIRMAN. Was there any other disturbing cause about sugar that you have not mentioned—any strikes, or anything of that kind?

Mr. LOWRY. Yes; the strikes early in the year, in February, were temporarily a disturbing cause. They checked the distribution of refined sugar in the United States. Most of the refineries were closed down at one time. The trade had gone out of stocks on the 1st of January in anticipation of lower prices as the new Cuban supplies came on the market, so they had little or no reserve; as a result, there was a certain scarcity of sugar, but it proved to be inconsequential as compared with what developed later.

The CHAIRMAN. Did you have any of those strikes in the Federal Sugar Refining Co.?

Mr. LOWRY. No; the Federal was not closed down at all. It was a question of price, of wages, and we thought it better to keep running.

The CHAIRMAN. Did you raise wages?

Mr. LOWRY. Yes.

The CHAIRMAN. And the American did not, and they had strikes?

Mr. LOWRY. They did, very reluctantly, after a considerable period during which they were closed either in part or entirely.

The CHAIRMAN. You had gotten along to the month of August?

Mr. LOWRY. The food bill was passed early in August, I think about the 10th, and it was shortly after that that Mr. Hoover announced that Mr. Rolph would head the sugar division. About the 25th of August Mr. Rolph wrote all of the refineries to stay out of the market. It was apparent that his mind was first centered on an effort to get the price down.

The CHAIRMAN. To stay out of the market?

Mr. LOWRY. To stay out of the raw sugar market, not to purchase any further supplies.

The CHAIRMAN. Have you got that letter or order?

Mr. LOWRY. No; but it was introduced in evidence in either Mr. Spreckel's or Mr. Babst's testimony. It was dated August 25. It is in the record. It was not a positive order to stay out of the market, but it read to the effect that it would be in accordance with the wishes of the Food Administration if we did not buy. Everybody was anxious to proceed in accordance with the wishes of the Food Administration.

The CHAIRMAN. Like an invitation to visit the king, it was equivalent to a command?

Mr. LOWRY. Yes. So we ran along, using up the stocks we had previously bought that were coming forward, and through September were able to secure practically nothing new in the way of supplies. Of course, that must not be taken absolutely. There were some stocks bought here and there for which special permission was obtained from Mr. Rolph, but as a general thing refiners refused to purchase. Canada did some buying until the commission here got in touch with the Canadian authorities and told Canada to hold off. During that time the whole talk of the Food Administration to the raw sugar producers was, "You must reduce your price, you must get down, because our beet crop is coming on here very shortly, and we are going to cover the whole territory with the beet sugars, and as a result you will not have any market for your stock." The Cuban holder was in this position. Our cards were on the table. He knew exactly what our supplies were. You could not bluff him. He knew we were going to run out of sugar if we proceeded in that way, or he believed that we were, and he reasoned, "If they are going to bring these beet sugars on in such volume that it will make me reduce my price later on, it is time enough to do it then; I shall not do it now, but will wait." And so he waited, and the result was that he did not have to come down in his price. In the early part of November the international committee began to buy and bought what Cuban sugars there was left for prompt delivery, and we got them along in November and December.

The CHAIRMAN. At what price did you buy; the price that had been fixed, or a higher price?

Mr. LOWRY. They bought at the price that prevailed in the latter part of August. As a result of staying out of the market I think we lost—I am quite sure we lost—the opportunity of securing some Peru sugars, some Brazil sugars, and I am also certain it was a discouragement to the owners of Philippine sugars to bring them for-

ward. They knew and felt certain they would have a market for them in China, but if shipped here they did not know what the price would be when these sugars would arrive in the United States, we will say, in November or December. The whole market here was at a standstill.

The CHAIRMAN. Did the Philippine sugars go to China?

Mr. LOWRY. Oh, yes; a great many of them go to China always.

The CHAIRMAN. One thing, before we pass on to the price at which the Cuban did sell the latter part of that sugar. Was 6.90 the Cuban price, the price that he was holding out for, or was that the price our board had fixed away back?

Mr. LOWRY. That was the price that the Cuban was selling for in the latter part of August, and my judgment is that if the Food Administration had said "Proceed to buy whenever you get a chance any sugars that are available at 6.90," our stocks never would have gotten as low in November as they did.

The CHAIRMAN. What I want to get at is the question of price. Was 6.90 the price that the Cuban had demanded all of the time, and which we refused to buy at, or was 6.90 the price that Mr. Rolph fixed, and the Cuban finally came to Mr. Rolph's price?

Mr. LOWRY. No; the price of 6.90 had been the price before Mr. Rolph took that position. The market had been higher, but it was declining.

The CHAIRMAN. What was it Mr. Rolph was saying to the American refiner that he could not buy in Cuba?

Mr. LOWRY. He told him not to buy anything; he told him to stay out of the market.

The CHAIRMAN. Not to buy at all?

Mr. LOWRY. Yes. That was the way we accepted that letter, which said that the Food Administration wished us to stay out of the market.

The CHAIRMAN. And away on at the end what was left of the Cuban sugars was taken at 6.90?

Mr. LOWRY. Yes.

The CHAIRMAN. So that instead of the Cuban being forced to Mr. Rolph's terms, Mr. Rolph came to the Cuban terms in the end?

Mr. LOWRY. Yes.

Senator JONES. Had Mr. Rolph made any other terms or insisted on any other terms? Had he insisted on any other price for Cuban sugar?

Mr. LOWRY. You mean in August and September?

Senator JONES. Yes.

Mr. LOWRY. His theory was that we would leave the Cuban without a buyer; we would all withdraw and that they would become panicky and reduce their price, and we would get it at a lower figure. The theory did not work out.

Senator JONES. But he never fixed a price below 6.90?

Mr. LOWRY. He could not very well fix the price. You mean, did he ever tell us to buy at a lower price, if we could?

Senator JONES. Yes.

Mr. LOWRY. I do not recall that he did; but there was not any chance to buy at a lower price anyway.

The CHAIRMAN. He just told you to keep out?

Mr. LOWRY. That is what his letter said, yes; and it was only in special instances where his permission was secured that we were able to buy. For example, in our effort to keep our trade supplied we were about 3,000 tons short at that time; that is, we had oversold ourselves in refined, and we had to make an effort to get these raws, to even up our position.

The CHAIRMAN. Did you make that effort?

Mr. LOWRY. He finally gave us permission to; yes.

The CHAIRMAN. When did you finally get permission to do that?

Mr. LOWRY. That was some time in September.

The CHAIRMAN. Where did you get the sugar from?

Mr. LOWRY. That was the time when Mr. Spreckels testified he went to see Mr. Babst. The situation was this. We explained our position to Mr. Rolph, and he said, "Why do you not see Riondo," of Czarnikow, Riondo & Co.; and we went to see Riondo, and we found out then that there were 100,000 bags of sugar tied up under option with Mr. Rolph.

The CHAIRMAN. Cuban sugar?

Mr. LOWRY. Yes. Then they said, "Call and see Mr. Babst about it." Mr. Spreckels went to see Mr. Babst, and the upshot of that was that they gave us a certain quantity. I have forgotten the amount now, but I think it was between 20,000 and 30,000 bags; but what we were concerned about was that when Mr. Babst gave those sugars to Mr. Spreckels he said—and I am repeating, of course, what Mr. Spreckels told me, for I was not there—"You should be very grateful to us for giving you any." Mr. Spreckels said, "What do you mean?" He said, "Why, we had those sugars under option." We were concerned as to why Mr. Babst could get sugar under option while the Federal Sugar Refining Co. could not have sugar under option, but was told to stay out of the market. It developed that there seemed to be some uncertainty even on Mr. Riondo's part as to whether Mr. Rolph as the Food Administrator, had those 100,000 bags under option or Mr. Babst, as the American Sugar Refining Co. In any event, we got a share of them.

The CHAIRMAN. Did you ever see the option papers?

Mr. LOWRY. I never saw anything. All I know is the conversation that I had with Mr. Spreckels.

The CHAIRMAN. So that these sugars that I think somebody testified were kindly supplied to you by the American Sugar Refining Co. to help you out of trouble were Cuban sugars that were optioned at a time when you and the other sugar refiners were commanded or requested to keep out of the sugar market?

Mr. LOWRY. Yes.

Senator JONES. Do you know when that option was obtained?

Mr. LOWRY. No. It must have been some time in September.

Senator JONES. What makes you think so?

Mr. LOWRY. Because this whole thing happened in September. It was during September we had those conferences with Mr. Rolph, and he was running back and forth between Washington and New York, and we were seeing him every day or two in New York.

Senator JONES. Did you ever hear from either Mr. Rolph or Mr. Babst when an option was obtained?

Mr. LOWRY. I do not remember that we did, exactly, no.

The CHAIRMAN. I am going to ask the gentlemen who are here representing the Food Administration to please bring us up the option that was made for those 100,000 bags of Cuba sugar, about which the witness has testified.

Mr. LAMB. If there is anything of that kind, we will bring it up.

The CHAIRMAN. If there is any information about it, we would like to have it.

Mr. LAMB. It is a matter about which I have no knowledge.

Mr. MCGINNIS. I do not think there is any such thing.

Mr. LOWRY. I think if you will call Mr. Rolph some time when he is in Washington, and he is here right along, and ask him about it, he could give you the particulars.

Mr. LAMB. I shall endeavor to find out what the facts are and give you everything that we have, Mr. Chairman.

The CHAIRMAN. I have allowed the details to escape my memory, but I think Mr. Babst testified something regarding those 100,000 bags of sugar.

Mr. LOWRY. I am pretty sure that he did. It was the result of that, or at the end of that talk, I think, that it came out about his asking Mr. Spreckels to write either to the President or to the Attorney General with regard to their suit.

The CHAIRMAN. Will you proceed? Do you remember where you were when you were interrupted? You had spoken about the Federal Sugar Refining Co. not buying on account of conditions which existed, and of finding yourselves oversold, and of having then discovered that there was, I think you said, 100,000 bags of sugar under some kind of an option, held either by Mr. Rolph or by Mr. Babst.

Mr. LOWRY. Yes.

The CHAIRMAN. And you secured a part of that. Did that enable you to start in and continue?

Mr. LOWRY. Yes. Then the arrangement was made with refiners, part of which was the formation of the international committee, and that agreement was signed under date of October 1; but Mr. Babst testified the other day that his company did not sign until October 10, so it was some time after October 1 that the agreement became workable.

The CHAIRMAN. How did those refiners come to get together and sign that agreement?

Mr. LOWRY. How did they come to do it?

The CHAIRMAN. Yes; what made them do it?

Mr. LOWRY. Mr. Rolph said that he would like to see us in New York, and it was arranged that the different refining interests would attend a meeting in the board room of the American Sugar Refining Co. offices, Mr. Rolph at that time presented a tentative agreement that he had drawn up giving his ideas as to the kind of agreement the refiners should make with the Food Administration.

The CHAIRMAN. When was that?

Mr. LOWRY. About September 20. We had meetings for a week or 10 days, every day or two, sometimes every day.

The CHAIRMAN. You understood at that time that the question of your being licensed was impending; or were you already licensed?

Mr. LOWRY. No; we were not licensed. We understood, perhaps properly and perhaps improperly, but it was our understanding, that the matter of control would be covered through the licensing

feature of the bill. There was lot of talk to the effect that "If you don't do this and if you don't do that," not only among refiners, but merchants and brokers as well, "you won't get a license." Whether that was true or not I do not know, but I do know that we got a license before this agreement was finally workable, so that it may have been that we could have had our license and been able to proceed——

The CHAIRMAN. Just state whether at the time it was generally understood among the refiners that they had to come to an agreement in substance like the one that was prepared and presented by Mr. Rolph.

Mr. LOWRY. The first conference was held in Washington on September 5. That was just an informal conference, and Mr. Rolph read a statement at that meeting outlining his views; and then it was at the later conference called in New York that we finally got down to business on it.

The CHAIRMAN. I just want to get this without any circumlocution: It either is or is not the fact that these refiners, when they came together, thought they were absolutely free to do exactly as they pleased, and run their business as they pleased, or else they thought that they were obliged to submit themselves to the direction of some other will. Now, which was the case?

Mr. LOWRY. No one thought that they were going to be free.

The CHAIRMAN. This "voluntary" contract that we have heard so much about was only voluntary, then, in the sense that it was entered into because you thought it was better to enter into that than to take the consequences which might follow from a refusal?

Mr. LOWRY. Our ideas of consequences were very hazy, but there was a general disposition to enter into the contract if that was the way the Food Administration chose to handle the matter. Generally in the trade there was a disposition to assist the Food Administration in any way that the Food Administration thought it advisable to urge.

The CHAIRMAN. But it was not a contract that would have been entered into outside of a direction from the Food Administration? If there had been no Food Administration, there would have been no contract of this kind?

Mr. LOWRY. Decidedly not.

We had gotten along, Senator, about as far as November on this outline of the sugar situation. Shall I continue, or not?

The CHAIRMAN. This contract finally was entered into about the 1st of October. Now proceed with your statement.

Mr. LOWRY. After the international committee was formed and buying sugar, they made the purshases, and the refiners' committee allotted the sugar to the different refiners. Of course, the amounts obtained were then small, because then we were in the hole so badly that it was difficult, if not impossible, to get out so far as cane sugar supply was concerned, and the only relief could have come from the free distribution of beet sugars through the East, and that did not develop.

There was one other situation to which I called Mr. Rolph's attention in Washington on September 6 with regard to the Hawaiian sugars in San Francisco. The two refineries in San Francisco had a considerable quantity, about 120,000 tons, of Hawaiians coming forward to them in the fall, and I mentioned to him that they would

not be needed in the West because there would be plenty of beet sugar, and asked whether arrangements could not be made to ship them East, where they would be needed, and have them melted by the eastern refineries? My idea was that that should be done; but Mr. Rolph said he did not want to do that, because that tied up the cars bringing the sugar overland to the New York refiners, and then after the sugar was refined it would go part way west, and that would require more cars. I called attention to the fact that in any event it would not go west of Pittsburgh and Buffalo. I could not urge the matter further after that, because if that was his decision——

The CHAIRMAN. On September 20, at the time that statement was made, is it not a fact that thousands and hundreds of thousands of cars were being moved around this country loaded with what may be termed nonessentials; that is, things that were not foodstuffs, and things that were not Army supplies?

Mr. LOWRY. Without direct knowledge on that, I should say, yes; and of course I do know that when beet sugars were finally released for shipment to New York we got 100 cars of beets from San Francisco shipped in two days, and they arrived in New York in two weeks.

The CHAIRMAN. And that occurred during the height of the railroad difficulties, too, did it not, or about the height of them?

Mr. LOWRY. That occurred on November 27. That was the height, I believe.

Senator JONES. I thought the height was about December 28.

Mr. LOWRY. As to the height, I could not testify. It was pretty bad November 27 and has been bad right along.

Senator JONES. The President thought it was the height, evidently, December 28.

The CHAIRMAN. That was on coal, not sugar. I guess it would have been a good idea to have brought some cars in with sugar and sent them back with coal if somebody had had sense enough to do it.

If those Hawaiian sugars had been moved to the East along in the month of September, would they have materially relieved the shortage in the East?

Mr. LOWRY. Had they in part been shipped on to New York as they arrived in September and October and November, and gotten through, they of course would have helped very considerably. Now, Mr. Rolph testified to the effect that he had distributed a good many of those in the Middle West, where there was also a shortage. My recollection of the figures in the record is that they showed that there was about 130,000 tons available of Hawaiian sugars for that entire period, and that about 30,000 tons were distributed in the Missouri River territory; and so, assuming that that was so, it would still leave a considerable quantity to come East had they desired to have them come East, and had the people that owned them been willing to ship them East. Perhaps some arrangement of this kind could have been made by arranging for the eastern refiner to divide his profits on those sugars that he melted with the western refiner that forfeited his right to use them.

Senator JONES. Let me ask you this question at that point: Was there an oversupply accumulated at any point in the country?

Mr. LOWRY. Nowhere but the West.

Senator JONES. Where in the West?

Mr. LOWRY. The figures that you have show that on the 15th of December there was some 300,000 tons of sugar then on hand west of the Missouri River, west of the Mississippi River, beet and cane.

Senator JONES. At what period?

Mr. LOWRY. December 15. The chairman put those figures in the record while Mr. Rolph was testifying. You see, about 50 per cent of the beet crop, not quite 50 per cent of the beet crop, has been sold to date. That itself would be over 350,000 tons. Added to that were some 30,000 tons of Hawaiian sugars on hand December 15.

Senator LODGE. And the bulk of the Louisiana sugars was coming into the western country, too, was it not?

Mr. LOWRY. The Louisiana sugars were being distributed like a fan from New Orleans. They were going up the Mississippi Valley and all around.

Senator LODGE. The Mississippi Valley?

Mr. LOWRY. I think a great many of them went up that way to Chicago, and of course some moved to the East.

Senator LODGE. You got the 26,000 tons that Mr. Bapst got in the East?

Mr. LOWRY. In part, yes; and then some of the clarifieds and semirefined sugars were shipped direct by the planters to manufacturers in the East.

The CHAIRMAN. If the sugars that were in this country and that were available had been properly distributed, would we have had this sugar famine?

Mr. LOWRY. Of course a proper distribution means that all the sugar available should be put in the places where it is needed.

The CHAIRMAN. Yes.

Mr. LOWRY. The sugar was available and did not reach the places where it was needed.

The CHAIRMAN. So that the responsibility for this sugar shortage can not be placed on the fact that there was not enough sugar, but it must be assigned to some other cause or causes?

Mr. LOWRY. Yes.

The CHAIRMAN. You have been engaged in observing and having to do with the matter of distribution of sugars for many years in the United States, have you not, over the railroads and all means of communication?

Mr. LOWRY. Yes.

The CHAIRMAN. You have observed the railroad condition as it existed through this last summer and fall?

Mr. LOWRY. Yes.

The CHAIRMAN. You have already commented upon the fact that away along in the month of November—I think you said November 27—when we all know that there was a great car shortage compared with previous times, they were able to get 100 cars of sugar from California in ten days' time.

Mr. LOWRY. Two weeks' time; yes.

The CHAIRMAN. Two weeks' time. Was the price raised before that sugar was sent?

Mr. LOWRY. Yes; it was.

The CHAIRMAN. I do not care to go into that now. Have you any doubt whatever that if, beginning in the month of September, when you issued this warning, an effort had been made to secure cars, a sufficient number could have been secured to have moved the sugars to the points where they were needed?

Mr. LOWRY. If every one was anxious—that is, particularly the owner of the sugar—to make that movement, I have a conviction that it would have been done; yes.

The CHAIRMAN. If there had been no regulation, if it had been a matter of regulation by prices, and regulation by the business concerns that would be wanting to get the trade, would they or would they not have made the effort, and would or would not the inducement have existed to move the sugars under normal conditions, if there was no arbitrary interference?

Mr. LOWRY. The normal inducement for the beet man to sell his sugars in the East in the fall of the year is the fact that very frequently during that period a high price exists—that is, a higher price exists than will prevail after the 1st of January, when the new-crop Cuban sugars come along; so in order to take advantage of that higher price he is willing to absorb something in the way of freights. The amount of sugar that he moves East is entirely dependent upon his judgment of the market, and to what extent wil the new-crop Cubas depress prices. Then he figures: "Well, if the new crop is going to depress prices 60 points, and if I ship it East now I have only a thirty-point absorption, it is better for me to ship now and absorb that 30 points than to hold it and sell it in the West at a 60-point decline after the 1st of January or the 1st of February."

The CHAIRMAN. Cutting out all commercial expressions, the amount of it is that if, under normal conditions, the price would rise in the Atlantic States (I will use them as typical) to a point where the beet sugar manufacturer could ship his sugars there and pay the freight and sell them for a better price than he would get at home, he would ship his sugars?

Mr. LOWRY. The Food Administration——

The CHAIRMAN. I am not talking about the Food Administration. I say, in normal times, without any food administration, if we had never heard of the food administration, as I understand you, if a beet sugar man observed that prices over, we will say, in the New England States were higher than the price at his factory or ordinary trade territory, and enough higher so that the could be absorbed or paid, he would then ship to that marke the price was best?

Mr. LOWRY. Exactly.

The CHAIRMAN. And he would be on the lookout all th for that kind of a deal, would he not?

Mr. LOWRY. He would be very keen for it; yes.

The CHAIRMAN. And the sugar broker would be on the l all the time for that kind of a customer, both buyer and sell

Mr. LOWRY. Yes.

The CHAIRMAN. And those gentlemen engaged in the sug ness would also be on the lookout for cars to haul this sugar; they not?

Mr. LOWRY. Yes.

The CHAIRMAN. Now, that is the condition with the normal commercial machinery working?

Mr. LOWRY. Yes.

The CHAIRMAN. When the Food Administrator got all of the beet-sugar men together and had them agree on a price of $7.25 for their sugar, that was a seaboard price, was it not?

Mr. LOWRY. Yes.

The CHAIRMAN. And if a beet-sugar factory was located, we will say, in Colorado, and it wanted to sell its sugar on the Atlantic coast, or was asked to sell its sugar on the Atlantic coast, and shipped it there, it would only get $7.25 and have to pay the freight out of the price if it sold it in competition?

Mr. LOWRY. Yes.

The CHAIRMAN. If it kept it at home it could save the freight. If it kept it at home and sold it at $7.25, which it was permitted to do, it could save the freight from Colorado to New England?

Mr. LOWRY. Or perhaps gain something in freight.

The CHAIRMAN. Well, it could save that freight?

Mr. LOWRY. Yes.

The CHAIRMAN. Now, then, it could also save the freight, could it not, that would be charged on sugar coming from the Atlantic coast to Colorado?

Mr. LOWRY. The difference between that rate and the rate it would actually pay; yes.

The CHAIRMAN. So that as a matter of fact, as a result of the fixing of an arbitrary price for the beet sugar, and fixing that price on the seaboard, it resulted that if a manufacturer of beet sugar having a mill in the interior of the country could find any market for his sugar near at home he would realize not out of the sugar that he sold near at home as much more than he could realize on sugar that he shipped to the New England coast as the freight to the New England coast and probably as the freight back from the New England coast to his own mill?

Mr. LOWRY. At mill door; yes.

The CHAIRMAN. The result of that necessarily was, was it not, to do exactly what Mr. Hoover swore he tried to do—to limit the beet sugars so that they would not go east of the Alleghany Mountains? It would have that tendency, would it not?

Mr. LOWRY. Yes. They naturally would not want to come any farther east than they had to, and if they could stop at the Alleghany Mountains it would be quite satisfactory to them. Other years they have been afraid of a lower price after the first of the year when Cuban sugars came in. Now, this year they were not afraid of that, and through the fixing of the Cuban price for 1918 they were assured of getting $7.25 or more for their crop. Since then the price has been raised to $7.45 by the Food Administration.

The CHAIRMAN. They were not afraid of it because, instead of sugars coming in in the natural and ordinary way and the price being cut down by virtue of a large crop in Cuba, the Food Administration had intervened and had either fixed or given assurance that it would fix a Cuban price that would not conflict with the beet-sugar price. That is true, is it not?

Mr. LOWRY. Yes.

The CHAIRMAN. So that the gentleman owning a beet-sugar mill, we will say, in Colorado, knew that he could hold his sugar throughout the year and could get $7.25 for it?

Mr. LOWRY. Yes; and that price has since been raised to $7.45.

The CHAIRMAN. Yes; and since that time the Food Administration has raised it to $7.45?

Mr. LOWRY. Yes.

The CHAIRMAN. Now, when we reached the extreme height of the famine in New England, when the constituents of Senator Lodge here did not have enough sweets to put in their baked beans—they do use some, I think; molasses, I think, but it is mighty good—they got these beet sugars to the Atlantic seaboard States by raising the price on beet sugars, did they not?

Mr. LOWRY. They did raise the price, and they did get some there late in the year.

The CHAIRMAN. Some of them. Now, do you know whether or not it is true that at the time they were without sugar in the Atlantic States there were large accumulations of beet sugar in Michigan and in States nearby?

Mr. LOWRY. The only information I have on that point is the figures of stocks that you put in the record while Mr. Rolph was on the stand. While we are on this point, would it be a good plan for me to tell you how I know about this raising of the price and the shipment of the beet sugars?

The CHAIRMAN. Yes.

Mr. LOWRY. I happened to be chairman of a distributing committee in New York which had charge of the sugars that were taken over by the Government, either by commandeering or through negotiation. These sugars were originally purchased by neutral nations, and the shipment of them was prohibited by the Government forbidding exports of sugar to neutrals.

The CHAIRMAN. When was that done?

Mr. LOWRY. This was done—the first lot we got was on November 9. It amounted altogether to about twenty-five to thirty thousand tons.

The CHAIRMAN. You are talking about when you got the sugar. I want to know when the Government issued the embargo order against the shipment of sugars to neutral countries.

Mr. LOWRY. It was either late August or early Septen
the arrangement was that this same committee shoul
the distribution of what beet sugars were shipped east o
and Buffalo. That came about in this way:

There was a general scarcity of sugar and the desire c
distribute the sugar as widely as possible. I was in
office when he received a telegram from Chicago. I mi
in that connection that the beet sugars are being dist
year through a central distributing committee in Chicago.
is the manager of that. Mr. Rolph received a telegram
stating that they could spare 25 cars of beet sugar fo
and Mr. Rolph handed it to me and asked me if I would
of it. I said I thought the sugar should go to New Engl
they seemed to be the worst off just at that time.

Senator JONES. When was that?

Mr. LOWRY. It must have been about November 15. No; it was a little later than that; November 18, perhaps. Now, that was the situation.

This, I think, happened on a Thursday, and I commenced to make plans to get this 25 cars and distribute it. On Saturday Mr. Earle, the manager of the beet-sugar distributing committee in Chicago, called me on the phone and said, in effect: "We are getting ready to ship this sugar"; and he added, "the price is not to be 7.25; it will be 7.80." That was the first time that I had any intimation that they were contemplating raising the price of these sugars that were shipped East. He said: "See Rolph."

The CHAIRMAN. What Mr. Earle was that?

Mr. LOWRY. This was a Mr. Horace Earle, who is the manager of the beet-sugar distributing committee in Chicago. All the beet sugar of the country, I believe, is being distributed through that committee.

Senator VARDAMAN. Is he a refiner?

Mr. LOWRY. No; he was a broker, formerly, in Minneapolis. Then he wired me on November 20, as follows:

FRANK C. LOWRY.

Shipping 25 cars per your letter the 4th, with papers attached. Please understand price 7.80 less 2 per cent f. o. b. seaboard refining points per authority of Rolph.

Senator LODGE. What was the date of that?

Mr. LOWRY. That is November 20. This was about the price, you see, and he asked me over the telephone to confirm that higher price arrangement. I did not know anything about it, and I went to see Rolph. Before I went to see Rolph I wired Earle this way—I was anxious to get the stock; it was badly needed, and the price was a secondary consideration, I thought:

Making shipment in this period of sugar famine, question is not price, but stock. Matter of price can be arranged when shipment made. Kindly telegraph Saturday routing, destination, and amount of draft.

That is the telegram which I sent to Mr. Earle on November 21. Then I saw Mr. Rolph, and Mr. Rolph said: "Well, about that price, 7.80 is all right for them." Adding, "We may allow a higher price. That has not been decided yet, and I have put the whole matter up to Mr. Hoover as to what price we shall settle on; but for the present, let them think they are going to get 7.80."

So I told Earle that it was all right, to draw on us at 7.80, and the 25 cars came forward. I kept pressing Mr. Rolph to find out what the price was to be, because I could not proceed to sell them until I knew the price. Finally he told me that he had a letter from Mr. Hoover putting it up to him to settle on the price; and the result of that was that he determined on a price of 8.15 instead of this 7.80 price. Then we proceeded to dispose of those 25 cars.

As I say, it was on November 20 that this happened. Now, the beet sugars distributed in the East came in this way: Between November 23 and 30, from Michigan and Ohio points, there were 20 cars shipped. Nothing was shipped at an earlier date. Between December 1 and December 7, there were 38 cars, and between December 7 and December 14, 38 cars more. These were from Michigan and Ohio points. You see, after the original 25 cars which they decided to ship to New England, they determined to ship further quantities.

and in addition to what I have stated there came 100 cars from California on one day, November 27. That was a very satisfactory shipment. It contained 90,000 bags, and it came through in two weeks, and we distributed it very promptly from New York. It was satisfactory from every standpoint. The Ohio and Michigan sugar was delayed in transit.

Senator LODGE. That was the end of November?

Mr. LOWRY. That was the end of November, yes. You see, that was much later than the time we had expected the beet sugars to come forward. We had expected them to be in free supply in all that territory in November. Instead of that, they were just starting to ship. This is not knowledge; this is just what I believe to be the situation from what I have known and what I have heard Mr. Hoover testify. Mr. Hoover testified, you will remember, that he had expected to supply that eastern territory with Louisiana sugars, and he would keep the beets west of the Alleghenies; and the breaking down of the supply of Louisiana sugars made him determine to bring the beets on to the East, but it was then too late.

Senator LODGE. Was there any suggestion made earlier than that, say in October, that they were going to forward beet sugars to the Atlantic seaboard?

Mr. LOWRY. Oh, there was any amount of talk to that effect from the 1st of September. These beet sugars, according to the talk emanating from the Food Administration, were just going to supply the entire territory.

The CHAIRMAN. It was before Mr. Babst got his contract for all of the Louisiana sugars that were loose, was it not, that that talk existed about supplying the East with beet sugars?

Senator JONES. First, I will ask you if he got a contract for all those sugars?

Mr. LOWRY. He got a contract for all that were loose, yes; some 26,000 tons; but he hoped to get a contract for 100,000 tons or more.

Senator JONES. You say that 26,000 tons were loose. What do you mean by that?

Mr. LOWRY. That was the amount of centrifugal sugar that they made which went to the American Sugar Refining Co. There were also some centrifugals, as we call the refining grades, you know, that went to some of the other Louisiana refiners.

The CHAIRMAN. When I used the term "loose," I meant by that "available."

Mr. LOWRY. That is as I understood it.

The CHAIRMAN. Of course, you have to make a little allowance for my English.

Senator JONES. For your Missouri language.

The CHAIRMAN. Yes. You did not answer my question—Senator Jones interrupted you—as to whether this talk which you heard constantly in the Food Administration about getting the beet sugars into the Eastern States for the purpose of filling in any gap that might exist had not principally taken place before Mr. Babst got the contract for the Louisiana sugars, which I think was obtained along about the 1st of October?

Mr. LOWRY. Yes; that was later. That is obvious, because this beet-sugar talk started the latter part of August or the first part of September, when they were negotiating with these beet people, while

the contract with the Louisiana people was not made until along about the middle of October.

Senator VARDAMAN. After that contract was made, do I understand you to say that the promise to supply the deficiency in the East from beet and western sugars was suspended, or no further effort was made?

Mr. LOWRY. I have no knowledge on that point, except Mr. Hoover's testimony that he had not originally contemplated shipping beets east of the Alleghenies, and they certainly were not shipped until after November 20.

Senator LODGE. I want to ask you a question, Mr. Lowry, on a statement in a letter that I have received from a large sugar broker in Boston. It is a letter, not sworn testimony, but it is from a large firm there, the George William Bentley Co.

Mr. LOWRY. Yes; I know them.

Senator LODGE. They say:

In October, 1917, we received instructions to notify the public through the press that the sugar-distributing committee of Chicago would come to the relief of New England in the sugar famine, and were instructed to make sales of beet sugars at 7½ cents per pound, the cane-sugar refiners' price being 8 cents and over and increasing rapidly. Thus authorized, we sold several hundred cars of beet sugar, which orders were held in Chicago for a number of weeks without shipment. During this time we and the trade were daily expecting receipt of the goods. Finally we were notified that these orders, not having been accepted, were canceled, and instructed to advise our trade accordingly that the distribution of this sugar was turned over to the American refiners' committee, 111 Wall Street, New York, for distribution; this without any consideration given to our interest or that of the trade, after causing us to spend large sums of money telegraphing our orders and expenses of soliciting this business from the wholesale grocery trade.

He says they received instructions in October to notify the public through the press.

Mr. LOWRY. The situation he describes there was a general situation. As to where he got his instructions, I do not know; but the brokers did understand that.

Senator LODGE. Where could he have gotten instructions?

Mr. LOWRY. I assume that he got them from the Food Administration or some one connected with it, or, perhaps, from the central distributing committee in Chicago, which is connected with it. He must have gotten it from either Washington or Chicago, because they were the only people that knew. Of course, the brokers all through the eastern territory were keen to get that sugar, and they did submit these orders to the central distributing committee in Chicago. They held them up there and did not accept them or reject them. They stated that they were so busy shipping sugars to the Central or Middle West that they had not any sugars yet for the East. That was the explanation.

Senator LODGE. He states that he received instructions to notify the public through the press.

Mr. LOWRY. Oh, well, that was just part of the general campaign that was carried on, that these sugars were coming, and if he did not get it until October—what is the date?

Senator LODGE. He just says "in October, 1917."

Mr. LOWRY. Well, then, it might have been the 1st of October, but talk to that effect was very general all through September and October. Then, when they determined to ship these sugars on to this

refiners' distributing committee which he mentions there, and of which I was the chairman, we, of course, recognized that the amount of sugars that they were going to ship us was not anywhere near a sufficient amount to fill these orders, and if we gave a car to this man and a car to that man a few distributors would have sugar and the balance would have none. So we proceeded on this basis in an effort to supply every one with some sugar. We divided it up and started a new deal by giving every dealer who had done business with the refiners some sugar. One hundred bags, or 50 bags, was the basis that we attempted to approach in the distribution.

Senator JONES. Why did you confine it to those who had done business with the refiners?

Mr. LOWRY. Because they were the distributors. You see, all distributors of sugar—that is, all wholesale distributors of sugar—did business with refiners. When we covered them we covered all distributors except the retail trade. They in turn distributed to the retail trade.

Senator JONES. Then in the ordinary channels of procedure for distribution of sugar in normal times, that was confined to the refiners, was it?

Mt. LOWRY. Yes. Each refiner distributed his own output.

Senator JONES. Or, in other words, ordinarily beet sugars do not come on to the Atlantic seaboard?

Mr. LOWRY. Sometimes they do, and sometimes they do not. It is entirely a question of price. If they believe that after the first of the year the price will be so much lower that they will net less by keeping those sugars at home and selling later to their home trade, then they ship them East, and absorb something in the freight.

Senator JONES. At any rate, ordinarily the beet sugar people did not have any distributors in the eastern market separate from the refiners?

Mr. LOWRY. The Atlantic coast is the most unattractive trade to the beet man in the country, and he comes to it reluctantly always.

Senator JONES. And it is only an unusual condition which brings beet sugars into this section of the country?

Mr. LOWRY. Exactly.

The CHAIRMAN. Did the unusual condition exist this year?

Mr. LOWRY. I think so.

(Thereupon, at 12 o'clock meridian, the subcommittee took a recess until 2 o'clock p. m.)

AFTERNOON SESSION.

The subcommittee reconvened, pursuant to the taking of the recess, at 2.25 o'clock p. m.

TESTIMONY OF MR. FRANK C. LOWRY—Resumed.

Mr. LOWRY. Mr. Chairman, there was a point here that Mr. Hoover brought up about our position in regard to our offering the services of the Federal refinery without profit. I would like to clear that up.

The CHAIRMAN. Very well; you may make whatever statements you care to about that.

Mr. LOWRY. First, where a difference appears between Mr. Hoover's testimony and my own, I would like to say that Mr. Hoover at the time I saw him, the 10th of May, had been in Washington only about 10 days, and unquestionably he had a great many things on his mind. On the other hand, I had but one thought in mind, and never have I done anything in which I took greater pride. Mr. Spreckels, Mr. Smith, and myself had had a talk about the Food Administration. It was just after we had declared war, we wanted to do all that we could, so we determined to place our position frankly and fully before Mr. Hoover, so that he would know that our organization and our plant was at his service. Mr. Sprockels gave me a letter, which is in the evidence, to take to Mr. Hoover. I did on that the 10th of May. The letter that I handed him stated that we were quite willing to operate the refinery on a toll basis for the Government if they decided to take over the sugar industry, and in addition I particularly stated to him that we would operate on any basis that it should be decided was in the best interests of the country. By that I understood—we all understood—that we would operate for nothing if he was so determined. We were prepared to go the limit.

I saw Mr. Hoover in the forenoon. In the afternoon I came down to the Capitol and I saw Senators Thomas and Hardwick. I explained our position to them, and I told them of my conversation with Mr. Hoover. Senator Thomas said he would like to have a copy of the letter to Mr. Hoover, and as showing what was in our minds I, on May 14, wrote to Senator Thomas the following letter. In this connection I will say that I have not talked with Senator Thomas nor with Senator Hardwick since then about this matter, yet I am quite sure that if you will call them they will tell you that what I now say about our offer was exactly what I told them at that time. On May 14, 1917, three days after I saw Mr. Hoover, I wrote Senator Thomas the following letter:

EXHIBIT No. 216.

NEW YORK, *May 14, 1917.*

MY DEAR SENATOR: In accordance with our conversation I inclose herewith copy of the letter written by our Mr. Spreckels to Mr. Hoover, and presented to him personally by me. I would add that speaking for the Federal Sugar Refining Co. I told Mr. Hoover that we were glad to volunteer the services of our plant and our organization to the Nation's welfare. Furthermore, that we were willing to operate our plant for the Government on a commission basis, they to supply us with raw sugar, we to supply the trade with refined sugar at whatever price they designated.

Very respectfully,

FRANK C. LOWRY.

Senator CHARLES S. THOMAS,
Washington, D. C.

Now, the only basis of profit which we could possibly have is the difference between the price at which we get raw sugars and the price that we get for refined sugar, and if we sell refined sugar at whatever price the Government designates, it certainly shows that it was in our minds, that it was our intent, that the Government should limit our profits in any way they thought best. That has been our position at all times since last May.

Furthermore, on June 12 I wrote to Mr. Hoover the following letter:

EXHIBIT No. 217.

NEW YORK, *June 12, 1917.*

Mr. HERBERT HOOVER,
Chairman Food Committee,
Council National Defense,
Washington, D. C.

MY DEAR SIR: You will recall that when I first talked with you, speaking for the Federal Sugar Refining Co., I stated that if it should be determined that it was in the best interest of the United States for the Government to buy raw sugar supplies and to fix the selling price on refined sugar, the Federal Sugar Refining Co. was willing to undertake the work of refining this sugar for the Government on a commission or toll basis and that our business was in such shape that we would be ready to begin this work some time around the first of July. Since then we have held ourselves in a position to proceed in this way if you desired it.

As you know I can appreciate fully that you have not as yet been placed in a position by Congress to determine exactly what was to be done. On the other hand, you can understand that a matter of this kind can not be left in suspense indefinitely, and the time is now rapidly approaching when we must proceed to do business both in the purchase of raw supplies and the sale of refined, provided the Government does not propose to take over the plant on some such basis as that previously outlined.

I would appreciate it very much if you would let me know just how you would like us to proceed under the circumstances.

Again thanking you for the consideration shown me in the past, I am,

Very sincerely, yours,

FRANK C. LOWRY.

Further, Mr. Rolph has stated that the Federal Refinery was the first refinery to sign the agreement with the Government.

I think that this shows clearly what our attitude has been, and it was a distinct shock to us and a great disappointment to me when Mr. Hoover, perhaps stung at some testimony that came out at this hearing, went to the press and said that Mr. Spreckels was "sore" because his profits were to be reduced by the Food Administration. That was absolutely untrue, and I submit that the evidence shows that out position has been perfectly clear from the first.

Now, along that line, the next thing that happened was when apparently in an effort to back up Mr. Hoover's claim that our profits would be cut tremendously, and that was the reason that we were sore, Mr. Rolph and Mr. Babst, two of the three American members of the international committee, took the stand and attempted to show that our profits had been enormous. They were most generous in their estimate of the ability of our selling organization and the quality of our goods to command a high price, but the difficulty was, from a stockholder's standpoint, their conclusions were not right because their premises were incorrect. They said th average price of raw sugar for the year 1917, up until the 1 October, was 6.09. They said that the average selling price c fined sugar of the Federal Sugar Refining Co. was 8.17 cents a p They claimed that the Federal's average margin between the chase price of raw sugar and selling price of refined sugar wa per pound, that this they had reduced to 1.30 a pound, and tha why we were sore.

The facts are that, with the average raw sugar price at 6.0 actual Federal selling price on granulated sugar in the United S was 7.38 per pound, making the actual Federal Sugar Refining

margin on sales in the United States, 1.29 cents a hundred pounds, or 1 point loss than the margin established by Hoover for 1918, and 79 cents a hundred pounds less than that claimed by Mr. Rolph and Mr. Babst.

As the result of their claim, Mr. Rolph stated that he believed that that we had made over $5,000,000 in excess of the amount we would have made had we worked on a 130-point margin as now fixed by the Food Administration, and I submit that that sort of testimony shows either that these gentlemen who hold these high positions in the Food Administration's councils are not informed, or else they have taken it upon themselves to make up a case against the Federal Sugar Refining Co.

Senator JONES. Mr. Lowry, when Mr. Spreckels was on the stand I asked him to furnish us with a statement of the raw sugars which he purchased during 1917, the amounts of those purchases, and the price of each purchase; also a list of his sales of granulated sugar, giving the quantity and price at which sold; and Mr. Spreckels promised to get us that information, as I understood him. Have you got that?

Mr. LOWRY. Yes; the information in regard to the price is that it was 7.38, which our auditors have made up, and which I have received over the telephone; and I submit, Senator, further, that if the picture is not exactly as you thought it might be, we should not change the cards. This is the basis upon which all of the other charges have been founded and the basis of the respective margins of the other refiners. That is, 6.09 is the basis for raws, which is the average daily price of raws. Now, if this has not turned out right and you want something else, you want the exact purchase price of all raw sugars bought by the Federal Sugar Refining Co., the exact sales price of the sugar sold by the Federal Sugar Refining Co., and——

Senator JONES. And how much sold or purchased at each price?

Mr. LOWRY. That is it. That can easily be supplied; but the point is that unless you secure the same thing from every other refinery you can not get anywhere. If you compare that basis for us with this basis for them, then you are at sea again. I have taken this because it is consistent right straight through.

Senator JONES. Yes; but the testimony which you are proceeding to controvert was not upon the basis that you give, as I understand.

The CHAIRMAN. Oh, yes.

Mr. LOWRY. Yes; the charts were all drawn up on that basis.

Senator LODGE. Yes; 6.09.

Senator JONES. No; I did not so understand it.

Mr. LOWRY. These are all quite elaborate charts that they have had drawn up, with red ink and purple ink, and so forth.

Senator JONES. Those charts were made up on the prevailing price of raw sugar and the prevailing price of granulated sugar, but the testimony as to the differential which your company was making, as I understood it, was based upon the knowledge which they had of your actual purachases and actual sales.

The CHAIRMAN. Oh, no.

Mr. LOWRY. Certainly not; you can figure it out, right here. They stated our actual selling price was 8.17, and that our average

margin was 2.08, and they were going to reduce it to 1.30. That would be a reduction of 78 points. Now, at 78 cents a hundred pounds—let us figure this in short tons, because it will figure quickly and you only want an approximate figure, anyway—that would figure out about $156 a ton, and they claimed that we made 350,000 tons in a year, which is about right. [After making calculation.] That is $5,400,000 and over. That is about the figure Mr. Rolph arrived at.

Senator JONES. How much profit did your company actually make this last year? What was your total profit?

The CHAIRMAN. Now, wait a minute. They claimed this was $5,400,000.

Senator JONES. Wait; I want an answer to my question.

The CHAIRMAN. I have certainly got a right to——

Mr. LOWRY. The point I make here is that they, by proceeding with the ficitious base, necessarily reached a fictitious conclusion, and it was done for the purpose of making the Federal——

Senator LODGE. The fictitious base consists in the fictitious price at which they say you sold?

Mr. LOWRY. Yes.

Senator LODGE. And you did not sell at that price?

Mr. LOWRY. No; and the reason for that is this, as everybody knows in the sugar business: It is elementary. We sell sugars for February and for March at wholesale, for export, and selling ahead. In 10 days from now we may have sold our output, say, for 40 days ahead. We can not keep on selling and tie ourselves up indefinitely into the future. Particularly we could not do that last year, when there was such a keen demand, so we would withdraw temporarily from the market. If we had had the foresight to know that this investigation was coming and these points would be taken up here, we would have withdrawn from the market entirely. What we did was to advance our price above the market, and at that basis we could not sell, because it was above the market, and in consequence no sales were being made while the list was too high.

Senator JONES. What was the purpose of advancing your price if you did not expect to sell sugar at that price?

Mr. LOWRY. Because we did not want any further business at that time.

Senator JONES. Then why did you not withdraw entirely?

Mr. LOWRY. I think it would have been better judgment to withdraw, and hereafter we will withdraw when we find ourselves so placed, and avoid such a complication as this.

Senator JONES. What was the purpose of advancing the price?

Mr. LOWRY. To make our offerings unattractive to the trade, so that we might manufacture sugar and catch up with our deliveries and then come into the market again at whatever the price might be.

Senator JONES. I will ask you if that did not have a tendency to create a little unrest in the minds of dealers in sugars, who might want to buy, if they saw that you were raising your price?

Mr. LOWRY. They may have thought we thought the price would be higher. On the other hand, they follow conditions very closely as to what this or that refiner does, and it is not necessarily a controlling factor.

I call attention to a situation that developed on the other side with the American Sugar Refining Co., for example. When during the strikes they found there was a keen demand for sugar they thought they might be able to discourage that demand by reducing the price, so they dropped their price 10 or 15 or 20 cents a hundred pounds, thinking it would check the demand.

Senator JONES. But your reason for raising the price when you did not expect to do business was to influence the sugar market, was it not?

Mr. LOWRY. No; it was this: If we had booked all the sugar we could sell, we will say for February, and believed that by March the raw-sugar values would be higher, we would advance our price to a point that we thought would be a proper level, when we were again in position to make sales. If we were mistaken in our view that the raw market would advance to that corresponding level, then we would drop our refined price. If we were not mistaken, then finally the business would come along at our price.

Senator JONES. At certain times you did actually withdraw from the market?

Mr. LOWRY. Oh, yes.

Senator JONES. And at other times you advanced the price beyond the price at which you expected to do business?

Mr. LOWRY. Yes.

Senator VARDAMAN. That is the method resorted to by all the dealers?

Mr. LOWRY. Yes; that is a custom in the trade.

Senator JONES. I would like to know the prices which you did actually pay for your raw sugars during last year.

Mr. LOWRY. Of course, that would have to be figured out; but may I ask you, if you require that from us, that you will require it from all refiners, so that you will have a true basis right through?

Senator JONES. I think it would be very illuminating information.

Mr. LOWRY. If this committee would ask it, there is no question but that refiners would be glad to furnish it; but if you do not have that right straight through, then you can not reach any conclusion.

Senator JONES. I did not understand that when Mr. Babst was estimating the profits which you folks actually made last year, he put that upon this general average, such as you have stated.

Mr. LOWRY. Yes, he did. Mr. Rolph did. And you can see how it is figured out; Mr. Rolph's figure was something over $5,200,000, of $5,300,000.

Senator JONES. Yes.

Mr. LOWRY. And as I figured it roughly here, it was $5,400,000; so that you can see it is the same thing.

Senator JONES. Actually, you have closed your books, have you not, for last year?

Mr. LOWRY. No.

Senator JONES. What was your profit, actually?

Mr. LOWRY. Our whole profit?

Senator JONES. Yes.

Mr. LOWRY. Possibly, in the neighborhood of $3,000,000.

Senator JONES. Not more than that?

Mr. LOWRY. It might be some hundreds or thousands; but it is in the neighborhood of that. You can see what an absurd thing it

was, to claim that our excess profit was over $5,000,000. While there has been some injury to my company, the greatest injury is certainly to themselves, that they should put themselves in such a foolish position.

Senator JONES. In figuring your profits, you have made the broad statement as to what your profits were, that they were $3,000,000. That makes it quite necessary to consider the basis of your figuring of profits. Was that after writing off for depreciation of plants?

The CHAIRMAN. Those were gross profits?

Mr. LOWRY. Yes; that was about what the gross profits were, I think. I am not familiar with those figures, now, and I would prefer not to testify on them.

Senator JONES. You mean that is your gross earnings?

Mr. LOWRY. That is my understanding; yes.

Senator JONES. From whom do you understand that?

Mr. LOWRY. From Mr. Spreckels. I will file our last statement, if you would like to have it. I do not have it with me.

The CHAIRMAN. Let us not get into confusion. One time you were talking about gross profits, and another time you spoke about gross earnings. I do not know what you meant by gross profits, but do you mean to use the two terms interchangeably, either of you?

Senator JONES. No; I think there is a distinction. I think there is what may be called a vast distinction.

Mr. LOWRY. In this matter of calculation we were talking about our gross margin, of course, and from that our profits would come.

The CHAIRMAN. The gross margin, yes.

Senator LODGE. The net profits, according to a statement made by Mr. Rolph and Mr. Babst, were—you cleared over $5,000,000 above your normal profit.

Mr. LOWRY. Above; yes. Senator Reed, you remember, asked Mr. Rolph if he himself believed that, and Mr. Rolph did not answer very readily, and I felt certain that he would answer in the negative, and I can not tell you my disappointment when he did not.

The CHAIRMAN. Here is the testimony of Mr. Rolph.

Senator JONES. I am ready to submit to the committee the advisability of calling on all these refiners for a statement of just that thing.

The CHAIRMAN. I am quite agreeable to it, Senator Jones, if you think we will get anywhere with it. Here is what I find is the difficulty of arriving at the question of profits——

Senator JONES. I think we can arrive at the question of this margin feature, as to whether this 1.30 is a very much larger differential than they were getting before, or were getting last year up to the time when that margin was adjusted.

Senator LODGE. Your proposition was about the same, was it not?

Mr. LOWRY. 1.29, last year.

Senator LODGE. A trifle under?

Mr. LOWRY. Yes, sir.

The CHAIRMAN. What I mean to suggest is this: I am ready to go to the bottom of this matter if it takes all winter; but if we were to call on these gentlemen, say, on the American Sugar Refining Co. for a statement of its net profits——

Senator JONES. No; I think all we need to get is a statement of the quantity of sugar purchased and the prices at which it was pur-

chased, and the quantity of sugar sold and the prices at which it was sold.

Mr. LOWRY. But that will not be illuminating, so far as a sugar shortage is concerned.

Senator JONES. It will be illuminating so far as prices are concerned.

Mr. LOWRY. Yes; it will be illuminating so far as prices are concerned, but after you know it, where are you? This that I have introduced is only because of these silly charts that they have introduced for the purpose of trying to put the Federal Sugar Refining Co. in a bad light with the committee, Mr. Hoover, and the public.

The CHAIRMAN. I agree with Senator Jones that it would be a very interesting thing to know whether these refiners got together with Mr. Hoover and agreed upon a differential which was to be allowed to the refiners which was unfair and was in excess of previous compensation or profits, but if we were to ask the refiners to send us their net profits, there are so many different systems of bookkeeping that unless we put experts at work we would not get anywhere from that kind of a statement.

Now, if we asked, on the other hand, that they give us the gross prices at which they have purchased, and the gross prices at which they have sold, unless we can fix those prices at some given market at which they have purchased or sold, I do not know how far we will get with that. For instance, suppose that Mr. Spreckles bought a large amount of Cuban sugars at, we will say, 4 cents, and Mr. Babst bought a large amount of Louisiana sugars at 5 cents. There would be a great difference in the original purchase price, and yet the question as to which was the cheapest sugar might well be one open for discussion; and, for instance, Mr. Babst might have refined his Louisiana sugars at his New Orleans plant, or freight rates or other things may have made up the differences. Now, I am not satisfied with this price that these men are to be paid. I think it is excessive. I think that when they go up from 84 cents to $1.30, and when they have an absolutely stabilized market, and so that they do not take a chance of losing a single penny, they are getting pretty handsomely paid because the war is on; but I am willing to go into that now if the committee wants to.

Senator VARDAMAN. Did not Mr. Hoover answer a question on the subject of the differentials? I understood him to say that he would furnish the items we have to take into account. He proceeded to give me some. He said that the President directed him to allow to the refiners the differential they enjoyed prior to the war. I said, "Can you give me the items of expense that make the difference between 84 cents and $1.30?"

Mr. LOWRY. I was at that meeting.

Senator VARDAMAN. He said, "I can not give you the items now," but I understood him to say that he would furnish them later.

Mr. LOWRY. He gave some of them in his testimony. Whether he gave them all, I am not certain.

Senator VARDAMAN. He said he could give them all, if I remember correctly.

Mr. LOWRY. That was the basis on which it was arrived at.

Senator VARDAMAN. So that it seems that they went into it very carefully.

Mr. LOWRY. Yes.

Senator VARDAMAN. To determine just what was the item. He said that one of the refiners has stated since that time that the increased costs of these items was so great——

Mr. LOWRY. That was the Pennsylvania—Mr. Earle.

Senator VARDAMAN. Mr. Earle said it cost his $1.28, giving him a profit of only 2 cents.

Mr. LOWRY. That is right.

Senator VARDAMAN. And I asked him to furnish the committee with the items of cost which he took into consideration in arriving at that position. I do not know whether he did or not. I have not seen the testimony.

Senator JONES. Was your margin of profit greater or less than $1.30; I mean your margin of sales; was it greater or less than $1.30 above the price of raw sugar?

Mr. LOWRY. Do you mean whether our average cost of raws was less than the average cost of raws which they show in their chart, by taking the daily figures?

Senator JONES. No; were your sales prices on the average greater than $1.30 above your average cost of raw sugar?

Mr. LOWRY. Oh, yes. That is true, because some 40 per cent of our business was done for export, and on the export business we made, in round figures, about a quarter of a cent a pound more than we made on the domestic business. But we can still do that in 1918, you see, with the exception of sales to the allies—on sales to the neutrals we can charge any price we can secure. I mean in 1918 there will still be an opportunity to make an increased profit, if you can, on sales to neutrals.

Senator JONES. And was it for that reason that Mr. Spreckels insisted that this $1.30 was too low?

Mr. LOWRY. No. The reason for that was that this was a maximum margin, and that it might or might not be maintained, and he did say—he and Mr. Jamison—that with increased costs certain the maximum figure he thought would be fair at $1.40, and the fact that Mr. Earle has since come in, when the thing has only been in effect two or three months, and complained about the margin of $1.30, stating that his cost was $1.28, I think simply bears out Mr. Spreckels's judgment in the matter.

Senator JONES. Yes. I still would like to have the committee call for that information, and pending the consideration of the request I would like to ask Mr. Lowry about another matter.

Mr. LOWRY. You understand that I make no objection? I only say, if you do it in our case it should be done in all cases.

Senator LODGE. Yes; of course it would be done on all.

Senator JONES. Yes; I want it to be done that way, and that is why I am making the request.

Mr. LOWRY. Yes.

Senator JONES. You say your selling price for export sugar was a quarter of a cent a pound above the sales price in the domestic market?

Mr. LOWRY. Average.

Senator JONES. Average?

Senator LODGE. That is, to others than the allies.

Mr. LOWRY. Yes; Spain, etc., Argentina, Norway, and Switzerland.

Senator JONES. Then Mr. Babst was wrong when he stated that the foreign countries who purchased granulated sugar in this market got the full benefit of the drawback previous to our tariff law.

Mr. LOWRY. No, he was not wrong. We just require them to pay a higher basic price. If there had been no drawback we would still have gotten the extra price. In other words, we do not keep a part of the drawback. That had nothing to do with it. They needed the sugar and we had it, and they were charged more for it than the relative price in the domestic market.

Senator JONES. Regardless of the reason for it, the result was that the foreigner did not get sugar at the domestic price less the drawback.

Senator LODGE. The allies?

Mr. LOWRY. In some cases they did and in some cases they did not. I know of some cases where they got sugars at less than the domestic price. Mr. Babst's own company offered a considerable quantity of sugar to the British commission in the early part of 1917 at relatively less than he was selling for on the domestic market.

Senator JONES. That is giving the British Government the full benefit of the drawback?

Mr. LOWRY. Yes, and something more besides.

Senator JONES. Was that by virtue of previous contract?

Mr. LOWRY. No, it was a matter of barter. They were ready to take a large quantity and made him a bid and the price showed him a profit over the price he could get raws for, and he took it. Then he may have thought at the time the domestic market would later decline to that level; but the revolution came in Cuba, and perhaps that was why the domestic market did not decline but on the contrary advanced.

Senator JONES. Then the price of sugar to foreign countries is not uniformly the price of sugar in the domestic market less the drawback?

Mr. LOWRY. Yes, that is the practice, and our contract with the Government provides for that on sales to the allies. But we are merchants, and it is our business to make as much money as we can. If our price is 8 cents at home, ordinarily it would be 7 cents for export, or $6.90. As the drawback on Cuban sugar is about $1.10 because of the fact that you use, say, 108 pounds of raw sugar to make 100 pounds of refined, and the drawback is based on the 108 pounds of raws instead of on the 100 pounds of refined that is exported.

Senator JONES. Now that is rather illuminating. Do you pay your duty upon the——

Mr. LOWRY. One hundred and eight pounds.

Senator JONES. Upon the 96 degree sugar?

Mr. LOWRY. Yes.

Senator JONES. You refine it and make it practically pure?

Mr. LOWRY. Yes.

Senator JONES. Thereby putting into by-products about 8 pounds in order to make 100 pounds of refined?

Mr. LOWRY. It is not so much as that. Part of it is destroyed and part of it goes into the by-product.

Senator JONES. Yes; a part of it is destroyed and part of it goes into the by-product, and then when you export your granulated

sugar you get all the duty that you paid on the 100 pounds of granulated sugar, and also the duty which you paid on that which went into by-products?

Mr. LOWRY. No; unless you also export the by-products.

Senator JONES. But which was lost in refining?

Mr. LOWRY. No; that is not quite true. The Government has figured that out very carefully. They say it takes so many pounds of raw sugar to make 100 pounds of refined—somewhere between 107 pounds and 108 pounds. Then they say a certain part of this, in pounds, will be found in your molasses.

Senator JONES. Yes.

Mr. LOWRY. Now, if you exported everything, if the factory turned out a given quantity of sugar and a given quantity of molasses and you exported them both, you would get the drawback on your sugar and then you would get drawbacks on the molasses. If you only exported the sugar you would lose the drawback, or at least you would not get any drawback on any molasses that was sold in this country. You would have to export them both in order to get the full drawback.

Senator JONES. And so they have decided that on the refined sugar they will give you the whole drawback?

Mr. LOWRY. No; I say thay do not do that. On the exportation of the refined sugar they give you that part of the drawback, or that part of the duty, which you have paid on the raw sugar contained in that refined.

Senator LODGE. That is, you pay duty on 108 pounds of raw sugar coming in?

Mr. LOWRY. Yes.

Senator LODGE. And you get a drawback on 100 pounds of refined sugar going out.

Mr. LOWRY. Yes; you get a drawback on something more than the 100 pounds in the sugar, and if you exported the molasses, too, you would get the full drawback; that is, the sugar and the molasses combined would give you the full drawback due on the 108 pounds of raw imported. The customs people have figured that out very carefully. They changed the plan, I suppose it is four or five years ago now, on the drawback on molasses. Formerly they used to base the drawback on molasses on price, which of course was not a scientific way, at all.

Senator JONES. But now as a matter of practice, when you export 100 pounds of granulated sugar, how much drawback do you get?

Mr. LOWRY. Well, I could not tell you exactly what that figure is. When we have used full duty sugars and have mixed them with Cuban sugars we have gotten as high as 1.17 cents or 1.18 cents a pound. Ordinarily the drawback will run around $1.08 to $1.10 a hundred pounds on refined sugar.

Senator JONES. And you keep the molasses in this country?

Mr. LOWRY. The molasses we generally sell in this country. If we exported that we would get something more in the way of drawback.

Senator JONES. Well, I think that is illuminating for the Finance Committee to deal with, Senator Lodge.

Senator LODGE. You got 99 cents of drawback?

Mr. LOWRY. Yes; we got 99 cents for every 100 cents paid.

Senator LODGE. If you export the whole product, you get 99 cents, but if you got that you would have to export both your sugar and your molasses.

Senator JONES. But you never got more than the Government drawback?

Mr. LOWRY. Oh, no.

Senator JONES. But when you export 100 pounds of granulated sugar and do not export the molasses, which is taken out of this 96 degree sugar, you got more than 1 cent a pound for that which you do export in the way of drawback?

Mr. LOWRY. Yes; that is because it has taken 107 or 108 pounds of raw sugar on which a little more than 1 cent per pound duty has been paid to make that 100 pounds of granulated sugar that is exported.

Senator JONES. Yes; but that other 7 or 8 or 9 pounds is taken out in the way of molasses which is kept in this country?

Mr. LOWRY. No; but you are entitled to the drawback ——

Senator LODGE. And the duty remains in the country, too.

Mr. LOWRY. On the finished product you are entitled to the drawback on the raw product imported for the purpose of making that finished product, and in this case it happens to be 108 pounds of raw sugar testing 96.

Senator JONES. And in that case you would get back $1.06 on granulated sugar that is exported?

Mr. LOWRY. In round figures.

Senator JONES. And as a result of that you have gotten your molasses into this country without paying any duty on it?

Mr. LOWRY. Oh no, because if you export your molasses you would still get something more.

Senator JONES. Then you would get more than you paid?

Mr. LOWRY. No; you never get more than you pay. You can trust the customhouse for that.

The CHAIRMAN. It grows clearer all the time, Senator Jones.

Senator LODGE. The fact is, if you get the full drawback you get 99 cents on every $1 back?

Mr. LOWRY. Yes.

Senator LODGE. If you export the whole of what you have paid duty on, you get 99 cents on the $1.

Mr. LOWRY. Yes; for what you have paid $1 for; nothing more.

The CHAIRMAN. I think this testimony that was referred to, of Mr. Rolph, about which there seemed to be some difference of opinion, I might read into the record at this point, although we have gotten a good ways from the subject matter. I will read from page 435 of the print, and I am going to omit a great amount of matter, and try to connect up just what there is on the subject. I read as follows:

Senator JONES. What was the differential of the Federal, figured on the same basis?

Now, he has been speaking about the American Sugar Refining Co. and the Western Sugar Refining Co. The testimony shows that. Then follows the question by Senator Jones:

Senator JONES. What was the differential of the Federal, figured on the same basis?

Mr. ROLPH. $2.08.

Senator JONES. The difference between that $2.08 and the $1.30 differential arranged by this agreement is how much?

Mr. ROLPH. 78.1 cents.

Senator JONES. What was the output of the Federal Co. during this year?

Mr. ROLPH. The figures that they turned in as the estimated melt for this year are 325,557 tons.

Senator JONES. That quantity of melt and the excess differential you have just stated figured how much excess profit above this agreed differential the Federal Sugar Refining Co. made on that basis of calculation?

Then Senator Lodge interjected some questions, but coming back to the matter Senator Lodge said:

The amount that was sacrificed on the differential by the Federal Co. when they agreed to $1.30 was much larger than that sacrified by the American Sugar Refining Co.? I want an answer to my question.

Mr. ROLPH. The reduction of the price that was brought about by this agreement of $1.30 was 78 cents in the case of the Federal, and 32 cents in the case of the American.

Senator LODGE. Yes; then it was much heavier loss to the Federal than it was to the American, and that is a much heavier sacrifice?

Mr. ROLPH. I would not consider that so.

Senator LODGE. Would you not consider it a larger loss? You would not consider 78 larger than 32?

The CHAIRMAN. Not for the purposes of this case.

Senator LODGE. Not for the purposes of this inquiry. I think we may leave it there. I do not think we need any more, Mr. Rolph.

Then I omit a number of questions, and come to page 437:

Senator JONES. Now, will you please answer my last question.

(The stenographer repeated the question as follows):

Senator JONES. That quantity of melt, and the excess differential you have just stated, figured how much excess profit above this agreed differential the Federal Sugar Refining Co. made on that basis of calculation?

Mr. ROLPH. Four or five million dollars.

Senator KENYON. What is that, Mr. Spreckels's profit?

Senator JONES. That is what we may term Mr. Spreckels's excess profit.

Mr. ROLPH. Based on these figures, it figures out $5,075,500.

The CHAIRMAN. Let me ask you a question: If you do not know that those figures are absolutely false and misleading, if you do not know it. [After a pause.] It is taking a good while to answer that question.

Mr. ROLPH. I will say that the figures that are prepared—these figures—were prepared in New York. These particular figures were prepared in New York from a chart similar to this, and showed that the price the California-Hawaiian Sugar Refining Co. in San Francisco was 7.378. and I telegraphed out to find out what the exact figure was, and it was 7.37. So it is a very close calculation.

The CHAIRMAN. I will ask you if you know the output of the Spreckels factory, the Federal?

Mr. ROLPH. I am giving you the statement that the Federal Sugar Refining Co. turned in to the Food Administration.

The CHAIRMAN. I am asking you, now, if you do not know that these figures, made up in that way there, are utterly unreliable?

Mr. ROLPH. No; I do not know that they are utterly unreliable.

The CHAIRMAN. Do you believe them to be reliable, or are you willing to swear that, according to the best of your judgment, those figures are substantially correct that you have given?

Mr. ROLPH. Based on the figures here——

The CHAIRMAN (interrupting). No; leave out "based" and everything. If you have a false basis, that does not get us anywhere. I am asking you if you are willing to swear that, in your judgment, the figures you have just given, are substantially correct?

Mr. ROLPH. I am willing to say that the price quoted in the telegram, which was $5.78. duty paid—the price of raw sugar—based on the average selling price as given by Willett & Gray, of——

Senator JONES (interrupting). As shown on this chart?

Mr. ROLPH. As shown, yes; approximately this line as you see it, with the margin as $2.08; deduct from that $1.30, and it leaves a difference of 78 cents, or $15.62 a ton.

The CHAIRMAN. But, Mr. Rolph, I did not ask you that. You know that I am challenging the accuracy of the basis of these calculations that you are offering here now as an expert in the sugar business, and you are asked to give a conclusion here that is to go into this record, and go to this country, and you have proceeded along a

certain line and reached a deduction assuming certain things to be true. Evidently you want that to go to the country as a fact.

Senator JONES. I will state to the chairman that Mr. Rolph did not request me to bring this out at all; I did it upon my own initiative, and I am responsible for bringing this into the record.

The CHAIRMAN. Very well. Now I am asking the witness who sits here as an expert familiar with the sugar business, if he is willing to say that in his best judgment the result which he has given, the profits which he says have resulted to the Federal Co., are accurate.

Mr. ROLPH. I think they are.

The CHAIRMAN. Very well. Now, I want the record to show that it has taken us at least 15 minutes to get the witness up to a point where he would say that.

Then Senator Kenyon, a moment later, said:

Senator KENYON. How does the fact that Mr. Spreckels made $5,000,000 enter into that? What difference does it make?

Senator JONES. I wanted to show on some sort of basis the extent to which the consumers of this country had been relieved of the cost of sugar, the high price of sugar.

The CHAIRMAN. Mr. Lowry, do you know what the ordinary profits of the wholesaler are on sugar?

Mr. LOWRY. The margin or the profit?

The CHAIRMAN. His margin.

Mr. LOWRY. In ordinary times he runs on about a 15-point margin, which, with 5-cent sugar, is 3 per cent.

The CHAIRMAN. That would be 15 cents a hundred?

Mr. LOWRY. Yes. Now the price of sugar is 7½ cents, or that will be the price under the Food Administration—7.45. A 3 per cent margin on that is almost the 25 points which the Food Administration will allow.

The CHAIRMAN. Did you have anything to do with the arranging of the differential of $1.30 that was allowed the sugar refiner?

Mr. LOWRY. I was there at the conference.

The CHAIRMAN. Who took part in that conference?

Mr. LOWRY. The representatives of all of the refiners.

The CHAIRMAN. Was there anybody there except the representatives of the refiners and the representatives of the Food Administration?

Mr. LOWRY. That was all.

The CHAIRMAN. Who was there representing the Food Administration?

Mr. LOWRY. Mr. Rolph.

The CHAIRMAN. Then they were all sugar refiners except Mr. Rolph, and Mr. Rolph acted for the Government, did he?

Mr. LOWRY. That is correct; yes, sir.

The CHAIRMAN. And Mr. Rolph has been until very recently the president or manager of the California-Hawaiian factory, and is the gentleman who organized the Hawaiian Factory Company?

Mr. LOWRY. Yes.

The CHAIRMAN. Which comprises 80 per cent of the producers of Hawaii?

Mr. LOWRY. That is correct.

The CHAIRMAN. And he is the same gentleman who stated that while he had resigned his position, he had asked it to be held open for him until after he was relieved from his duties here?

Mr. LOWRY. I did not understand his testimony to be that he asked that it be held open for him. I did not catch that.

The CHAIRMAN. Very well. So that we are to understand this, that the men that got into a room here in Washington and fixed the prices that were to be paid on sugar, the prices at which sugar was to be bought and sold in the United States, were the sugar refiners, plus Mr. Rolph?

Mr. LOWRY. Yes.

The CHAIRMAN. You did not see anybody lurking around there to represent the sugar brokers?

Mr. LOWRY. No, sir.

The CHAIRMAN. You did not see anybody there to represent the wholesalers of sugar?

Mr. LOWRY. No; they were represented here in Washington under a special division of the Food Administration of which, I think, Mr. Whitmarsh is the head.

The CHAIRMAN. But they were not at this meeting, fixing the price of sugar?

Mr. LOWRY. Fixing the refiners' margin? No; they were not.

The CHAIRMAN. Did you see anybody there representing the consumers of the country, the people who eat the sugar, unless the sugar refiners and Mr. Rolph represented them?

Mr. LOWRY. Mr. Rolph, I thought, was there for that purpose.

The CHAIRMAN. Did you learn whether he had any job being held open for him by the consumers as an offset for the one being held open for him by the refiners?

Mr. LOWRY. I have not heard of it. In line with that, and just one of the things I had in mind, so as to avoid this sort of thing—I do not not say this in criticism of Mr. Rolph, but rather in appreciation of the difficult position in which he has been placed—either the first time I saw Mr. Hoover, or the second time, he asked me to consider the problem that he had before him. He was just as interested and considerate of me as possible, and after I had thought it over down stairs, I went back to see him that evening, and the first thing I said to him was, "Mr. Hoover, I hope that as head of the food division, you will appoint a man who is not now in the sugar business." I added, "I am acquainted with the cross currents, and I am perfectly convinced that the man at the head of the sugar business should be a man not now in the sugar business, but one of broad business experience, who will surround himself with sugar men. They will put the propositions up to him, and after he has weighed them he can determine, without prejudice, just what is in the best interest of the hundred million consumers, and throw the weight of his opinions that way. That will prevent friction among the refiners, and prevent anybody pointing his finger at him and saying that he has decided this way or that way for the benefit of certain friends or for his own benefit." I was very strongly impressed upon that point. I made the suggestion without conferring with anyone, and I was glad when I got back to New York to have Mr. Spreckels and Mr. Smith back me up. Mr. Hoover at first also seemed much impressed with this point.

Senator VARDAMAN. Do you not think that that is the view of nine-tenths of honest-thinking men?

Mr. LOWRY. I think that a man of that kind would go into the situation with an open mind.

Senator VARDAMAN. It is not any reflection upon the integrity of these gentlemen to assume that their business interests, their associations and affiliations and all that, would necessarily influence them unconsciously.

Mr. LOWRY. I think so.

Senator VARDAMAN. And they might be as pure as light and as stainless as a star, and yet a man can not throw away the influences of environment, and especially where his pecuniary interests are involved. I think you gave very sound and wholesome advice to Mr. Hoover.

Mr. LOWRY. For my part I would far rather have on a conflicting point the decision of an outsider of known ability.

Senator JONES. How would it be to look at the picture in this way, that Mr. Hoover himself is a man of known ability, and that these sugar men who are on these different committees and commissions are there for the purpose of gathering the facts and presenting them to him, and that he, Mr. Hoover, has the decision, and so far as any of the questions brought out in this hearing are concerned, has personally acted—that is, so far as the essential things are concerned?

Mr. LOWRY. That is true, but it must be remembered that he is dependent for his information on the people that surround him and is not in direct touch himself.

Senator JONES. Didn't you say a while ago that you thought you ought to have a good outside man and let him surround himself with sugar experts, and so on?

Mr. LOWRY. I did.

Senator JONES. Who would get the information for him?

Mr. LOWRY. I did.

Senator JONES. Is not that just what Mr. Hoover has done?

Mr. LOWRY. I believe it would be all right if he did not have 18 other articles to handle, and he looked after sugar alone.

Senator VARDAMAN. Permit me to say right here that Mr. Hoover, when I interrogated him on the question of fixing the price of beet sugar, whether he considered the profits of the poor devil who tills the soil, what he was going to get out of it, answered no that he had not thought of that, but that he was going to do that hereafter. He did not consider the question of what the beets cost the manufacturer, and the profits that the farmer received for his beets. That was not taken into account at all. The only question to be considered was of allowing the refiners to enjoy the profits they had before the war, and they were to determine that themselves, and he gave us a list of the items here as making the difference between 87.7 and 1.30.

The CHAIRMAN. Were you present when they fixed the price of beet sugar?

Mr. LOWRY. No.

The CHAIRMAN. You do not know then who was present there?

Mr. LOWRY. No; I knew nothing about it except from the published reports.

The CHAIRMAN. In fixing the differential that was received by the refiners, was the question of a brokerage charge considered, was that allowed as an item?

Mr. LOWRY. Yes, it was considered in two ways. In the first place, the old margin which formed the base included the brokerage, and in the second place there was a stipulation to the effect that a

greater brokerage than 5 cents a hundred must not be allowed. That was due to the fact that the old brokerage of 3 cents per hundred—and it was 3 cents on bags and 10 cents on barrels, approximately 3 cents a hundred—in some instances had been increased to 4 cents. The brokers were claiming that their expense of doing business had increased, and evidently the thought was in somebody's mind that there might be an increase in the brokerage allowed, and provision was made that that increase should not exceed 5 cents a hundred. I think, also, this might have had some bearing on that point, namely, the thought that one indirect way of giving rebates might be to make the broker an excessive allowance for brokerage, with a quiet understanding with him that he would give part of it to his customer, provided all the business was handed to a particular refinery. But brokerage was certainly included in the original allowance.

The CHAIRMAN. Do you know of any company now except the American, that has undertaken to discontinue the service of the broker?

Mr. LOWRY. No. The Revere Refinery in Boston, which is a small plant, turning out about 1,000 barrels a day, have for many years not used brokers, because their sugar is just sold locally and brokers are not used up there in Boston extensively; otherwise the American is the only refinery that has decided to do the business through other than brokers.

The CHAIRMAN. You have had many years of experience, referred to, in the study of sugar conditions and sugar prices and you are familiar with the sugar crop that is now being harvested. If there were no food regulations and price fixing in this country, if the refiners had been left free to buy and the beet sugar men had been left free to produce and sell, and the refiners to sell, in your opinion what would the price of raw sugars command—and I will ask you to state it upon the Cuban basis—for the coming year. Perhaps we better take the Cuban sugars first.

Mr. LOWRY. That is a pretty difficult question. My own judgment is that if there was to be a sufficient amount of tonnage to move with reasonable promptness the crop, that the Cubans would not average 4.60 f. o. b., the price arranged by the Food Administration; and I would call the attention of the committee to the fact that last year when we believed we were going to have a Cuban crop of 3,400,000 tons, the market declined to 3⅞ cents cost and freight. That would be about 3½ cents f. o. b. and that it was not until the revolution came along that prices began to advance. Now, this year Cuba is estimated by our Mr. Himley to produce a crop of a little more than 3,600,000 tons, and by Mr. Guma, of Willett & Gray, a little less than 3,600,000 tons, and yet the price arranged for is, roughly, 1 cent a pound above the low price touched last February. We are not going to have any revolution this year, and if we have reasonably favorable weather conditions we are perfectly justified in assuming that the Cuban crop will be much larger than last year. So it seems to me we will have an increase in the supply, with no increased demand. The demand in this country should not certainly show any increase, in fact it should show a decrease, with the conservation talk we have had; and the demand for foreign countries will be limited by the

tonnage, and that in turn certainly will be no larger than it was in 1917.

The CHAIRMAN. And besides that, competing against this country by the allies has been stopped by the embargo orders.

Mr. LOWRY. Yes.

The CHAIRMAN. And by the agreements between the two countries?

Mr. LOWRY. Yes; competitive bidding has been eliminated.

The CHAIRMAN. If the Cuban sugar prices remained less than 4.60 would that same price be reflected in all the other sugars consumed in America, necessarily?

Mr. LOWRY. Yes.

The CHAIRMAN. If these prices obtained lowered than the prices which will be based on 4.60 f. o. b. Cuba, if our raw sugars would bring less in the market, what do you think about the statement that our sugars might have gone as high as 15 cents and 25 cents and 30 cents a pound?

Mr. LOWRY. Might go as high as that in 1918?

The CHAIRMAN. Yes.

Mr. LOWRY. I think you would not find anybody in the sugar business that agrees with that, and I do not—that is, of course, assuming that reasonable tonnage is there. I know a great many well-posted men in the business feel as I do.

The CHAIRMAN. Of course, if there are no boats to carry the sugar from Cuba to the United States, there will not be any boats to carry it anywhere, will there?

Mr. LOWRY. No.

The CHAIRMAN. And if there are no boats to carry it from Cuba to the United States, we need not be making any bargains or dickers about it at all, because it is dickering about something that is never going to get here.

Mr. LOWRY. Yes.

The CHAIRMAN. And so when you dicker about sugar at 4.60, it is upon the basis that it is going to get from Cuba to the United States, and that means bottoms, does it not?

Mr. LOWRY. That is correct.

The CHAIRMAN. And, of course, if the sugar could not get here at all, the American people could not be saved the $250,000,000 or $300,000,000 by virtue of reducing the price on sugar in Cuba that never reached the United States.

Mr. LOWRY. Unless you figure that by doing without it they would be saving money or spending the money on something else.

Senator LODGE. It is very easy, is it not, to reduce an imaginary price?

Mr. LOWRY. I think so.

Senator LODGE. Who owns the Franklin Sugar Refining Co.?

Mr. LOWRY. The Franklin Sugar Refining Co. is one of the American Sugar Refining Co. plants.

Senator LODGE. I thought so. I had read the advertisements.

Mr. LOWRY. Mr. Chairman, I suggest that there are two more points in the testimony that so far as our company is concerned I would like to clear up. You will remember that it was claimed that if the American Sugar Refining Co. could get 100,000 tons of Louisiana sugars, that the other refiners should not complain because that would be taken from their percentage, and I call attention to the

fact that the American percentage is 40 per cent, and 100,000 tons is 40 per cent of 250,000 tons, and I would like to inquire where the others were going to get the 150,000 tons due them in November and December, which was the important time to secure supplies. One ton of sugar that the refinery obtained in that period of scarcity was worth three or four tons ordinarily. For the Food Administration or Mr. Babst to defend their action in the Louisiana deal by such a claim is absurd and certainly weakens their position.

There was just one other point, and that was that there was testimony to the effect that Mr. Sprockels had been offered some Hawaiian sugar for delivery in the fall. Mr. Babst said that.

The CHAIRMAN. Yes.

Mr. LOWRY. I remember that situation very clearly, because I was concerned in it. It was at one of these refiners' meetings. Mr. Spreckels, in a more or less good-natured way, had been bantering Mr. Post and Mr. Earle on the fact that if this 130-point margin was arrived at they would have 140 points differential on the Hawaiian sugars received, and that the company Mr. Rolph was formerly with, the California & Hawaiian Refinery of San Francisco, would have 155 points differential on the Hawaiians received, so that they would be working on a greater differential than the other refiners. Mr. Earle very gravely told us about the great disadvantages of Hawaiian sugars coming in on a declining market. This was in September, and we had had all these advices about the beet sugars going to take all the market from us in the fall, and he anticipated a declining market, and he felt quite forlorn about it. I was sitting next to Mr. Spreckels, and I said: "How about next year?" So Mr. Spreckels said to Mr. Earle: "Well, how about next year?" And Mr. Rolph, sitting at the end of the table, said—he did not offer but he said—"Would you take some sugars for next year?" Mr. Spreckels said: "How much?" Mr. Rolph said: "One hundred thousand tons." I said to Mr. Spreckels: "Make him offer them and take them." He had not offered them; he had just inquired whether Mr. Spreckels would take them or not. Mr. Rolph later testified here that he was just bluffing, anyway. I thought that, too, but I also thought it would be rather a good thing to make him offer them and take them. So nothing came of it, but at this hearing testimony was introduced to lead to the conclusion that Mr. Spreckels had been offered some Hawaiian sugars for fall delivery and had not taken them---100,000 tons.

Senator JONES. Then Mr. Spreckels's attempt to get those sugars was made in a kind of a bantering mood?

Mr. LOWRY. Oh, he did not attempt to get any Hawaiian sugars, as there were none to be had.

Senator JONES. I see.

Mr. LOWRY. The only attempt to bring additional Hawaiian sugars east that I know of—and it was not an attempt; it was a suggestion that they come———

The CHAIRMAN. Do you mean to say that Mr. Spreckels did not in good faith mean to take those sugars if they were offered to him?

Mr. LOWRY. He would have taken any sugars he could have gotten for fall delivery at the price; certainly.

The CHAIRMAN. You did not understand Senator Jones's question, then. His language was whether he did not attempt to get these sugars; and you mean in your answer to say that Mr. Spreckels did not try actually to get physical possession of them when the proposition was turned down?

Mr. LOWRY. Oh, yes. Anybody would take the sugars. If Mr. Spreckels had not wanted to take them, any other refiners would have been only too glad to get them. You see, the great advantage was to be able to supply your trade during this period of stringency with sugar, and that was the advantage which the American Sugar Refining Co. sought in obtaining these Louisiana supplies, and it was worth far more than any money profit could be. Just picture to yourself the situation if, during this period of scarcity, the American Sugar Refining Co. had secured 100,000 tons of Louisiana sugars, converted them into these cartons, and had them around on all the grocers' shelves so that all the women who went into the store would see nothing obtainable but crystal Domino granulated sugar. The impression that would be left on those women's minds that that was the sugar to stick to would be very strong.

The CHAIRMAN. How about the impression that would be left on the trade's minds to stick with the concern that got them sugars in time of stress?

Mr. LOWRY. They would never be allowed to forget that. The salesmen all of next year and for the next 10 years would be saying: "Well, where did you get your sugars at the time when there was the famine? Didn't you have to come to us, and aren't you going to stick to us because we did supply you?" From a selling point of view, gentlemen, I appreciate that fully.

Senator JONES (to the chairman). Are you through?

The CHAIRMAN. Yes; I am through for the present. There are one or two things I want to put in the record.

Senator JONES. Mr. Lowry, you say that in June of last year England had decided not to get any more sugars from Java, and was bidding actively for Cuban raw sugars as well as for granulated sugar in the United States market?

Mr. LOWRY. Not decided not to get any more, but decided not to get as much as many of us thought that she might get, or the amounts that she had gotten in previous years. England did buy, I believe, about 200,000 tons of old-crop Javas this year, and I think there is 100,000 tons still unshipped that will go into their 1918 supplies.

Senator JONES. But the previous year they had bought something over a million tons—that is, the allied countries—had they not? You gave the figures.

Mr. LOWRY. I gave the figures in that letter I wrote to Mr. Hoover in May.

Senator JONES. So, then, when England and her allies decided to dispense with Java sugars as much as possible that put England and her allies into active bidding for the Cuban sugars, did it not?

Mr. LOWRY. Yes.

Senator JONES. Did not that situation, in your opinion, make it necessary for the United States, after she went into the war, to come to some agreement or understanding with England about the purchase of Cuban sugar?

Mr. LOWRY. I rather indicated that in my letter to Mr. Hoover in May.

Senator JONES. Yes; I thought so. Now then, the United States and her allies having entered into a common arrangement for the purchase of Cuban sugars, it was also desirable, was it not, that this combination should not have to compete with neutral countries for the Cuban sugars?

Mr. LOWRY. The elimination of competition was supposed to be of great advantage; yes.

Senator JONES. In justice to Cuba—who, by the way, is one of our allies in this war, and whose crop of sugar we want to increase, if possible——

Mr. LOWRY. Yes.

Senator JONES (continuing). It became necessary, in those circumstances, to arrange a fair price for the Cuban sugars; did it not?

Mr. LOWRY. To arrange a fair price, if you are going to have co-operative buying; yes.

Senator JONES. How could you arrange that fair price for the Cuban crop without having some central organization to buy and to allocate it as between these different countries?

Mr. LOWRY. Senator, my idea of a complete control—and I think a control is very difficult unless it is complete—was very much along the English line. There they have not only taken sugar refiners on the commission, but they have a board which is composed of sugar refiners and sugar merchants and brokers and dealers. They are all represented on this British Royal Commission for the Sugar Supply, and they buy the sugar. They have an arrangement with the refiners to refine it. They get right into the market as a merchant would do and make their purchases. The refiner turns out the refined product for them They allow that refiner a basis of profit based on the prewar profit of those refiners, and then they sell the sugar to the trade, not necessarily at cost, but at whatever price they consider fair after taxes, etc., have been paid. From that they derive a gross profit. From that profit they give the refiner his share and the balance they put into the treasury and use for the benefit of the people again.

That is what I call a complete control, and it has been very successful over there.

Senator JONES. Are you of the opinion that in the circumstances as they existed in this country along in June, July, and August it was necessary to take some sort of control of this sugar question?

Mr. LOWRY. "Some sort of control," Senator, is very broad. I have always been in favor of the stated objects of the food control.

Senator JONES. You thought it was necessary?

Mr. LOWRY. I thought it would be a good thing if it was properly handled; yes.

Senator JONES. And if something of the kind had not been done, we would have had our allies and neutral countries all bidding against each other for Cuban sugars, and in the American market you would have had the different refiners bidding against each other for those sugars, and with the Java supply cut off, where would prices probably have gone if there had been no combination with out allies or been no restriction upon the bidding from neutral countries, etc.?

Mr. LOWRY. Had there never at any time been any talk of a food administration and had the merchants themselves had the entire responsibility for supplying the trade, in the first place Europe would not have gotten as many of those Cuban sugars as they did. In the second place more sugars, I am quite sure, would have been brought from Brazil, from Peru. I believe more Philippines would have come here, and it would not have surprised me a bit if some Javas had come to the west coast. An increase in our supply of 100,000 tons would have made a great difference.

Senator JONES. How could the Javas come to the west coast unless the Governments were willing to furnish bottoms?

Mr. LOWRY. There was independent tonnage that could be secured. I am not at all sure that these Dutch boats that were tied up in New York Harbor for so long—there were a great many boats there, if you remember, tied up for months and months, and I can not testify as an expert, but certainly I was so informed, and I think that the reason that question was not settled sooner was because they wanted those boats to ply between Europe and here. Possibly some of them could have been obtained to go to Java. You see a safe trip to the Philippines and a safe trip to Java and a safe trip to Cuba or to Brazil or Peru to a shipping man is far more attractive than a trip to Europe with the dangers involved.

Senator JONES. Do you not believe it is much better for us in this war to use all the ships we can in direct connection with the conduct of the war rather than have them go to Java for sugar unless it is absolutely essential that they shall go there for sugar.

Mr. LOWRY. They should certainly be used in the best way possible; yes; some ships allotted to this service and some to another service, and so on; and the most important service should receive the first consideration, and then go down the line.

Senator JONES. You think it is necessary to have somebody control this tonnage, do you not, during this war, and say where it shall go?

Mr. LOWRY. It certainly seems to be.

Senator JONES. If you are going to control the tonnage, then it would be absolutely impossible to turn your merchants loose to get sugar wherever they wanted to, would it not?

Mr. LOWRY. If you tie up all the tonnage and don't deal with merchants, yes.

Senator JONES. Yes. Now, then, we have these fundamental things here. Tonnage must be controlled. There must be cooperation between the allies in the purchase of sugar.

Mr. LOWRY. Yes.

Senator JONES. That being so, then, must there not be some power or some authority to distribute the raw sugars from Cuba to the refiners of this country?

Mr. LOWRY. I have urged that since last May. I took that position with Mr. Hoover right along.

Senator JONES. That being so, if you take those fundamental facts, if you accept them, then all question as to what would happen if there had been no control is aside from the question before us, is it not?

Mr. LOWRY. Yes. The question has been between object and method.

The CHAIRMAN. That is what I thought, Senator Jones, when Hoover was proclaiming to the country that he had just saved us $30,000,000 or $60,000,000 or $160,000,000.

Senator JONES. Well, now, let us discuss that just a little. Before the passage of this food-control bill and the closing of the sugar exchange in New York what was the state of the sugar market on that exchange?

Mr. LOWRY. The sugar market was declining on the exchange at the time the Food Administration closet it, and the exchange market was under what we call the actual market, and in connection with that—I can not give you the exact figure, but sugar for next March delivery was then selling on the exchange, notwithstanding the excitement due to the shortage upon us at that time, at about 4.39 f. o. b. Cuba.

Senator JONES. Did you not hear the testimony of Mr. Lamborn, given here last night, in which he said that the sugar had been oversold on that exchange, and if it had not been closed by Mr. Hoover, it would have been closed by the directors of the exchange growing out of a panic on the exchange? Did you not hear him make that statement?

Mr. LOWRY. Yes; I heard him, and as to the extent of the oversales he was more familiar than I am, because he deals on the exchange and we do not. The exchange business is something apart from our business.

Senator JONES. You remember some years ago when the market was short of Northern Pacific stock, I believe, and the shares went up to $1,000?

Mr. LOWRY. Yes.

Senator JONES. Something of that sort would have occurred on this sugar market when it was oversold and the sugar could not be had, would it not?

Mr. LOWRY. Well, but you must remember, too, that a free movement of beets here to the East would have had a very checking effect on the prices. A shortage had been impending since last May, as merchants had been afraid to act, not knowing what the administration would do.

Senator JONES. But they would have to come at a considerably higher price, would they not?

Mr. LOWRY. They came quickly enough finally; not in volume, but——

Senator LODGE. They came quickly enough to 8.15, did they not?

Mr. LOWRY. They came quicker at 8.15 than they had at 7.25 cents, but the Food Administration informs me that the price had nothing to do with it. They tell me that these few beets were coming any way.

The CHAIRMAN. I wonder why they raised the price, then? you know?

Mr. LOWRY. Their explanation was that they did not want to sugar selling in the same territory at radically different prices, that the consumer would not get the benefit of the 7.25 beet p that the retailer would charge the same relative basis for beet s as he did for cane, and they had no control over the retailer. is what they tell me.

The CHAIRMAN. They might have reduced the cane prices ins of putting up the beet price.

Senator JONES. They could not have reduced the cane price, c they, and had the refiners come out even?

Mr. LOWRY. I thought the Senator referred to the raw cane price.

The CHAIRMAN. It is an understood thing—I think it may be taken as a conceded fact—that this committee of refiners engaged in running a sugar business will not so manage it as to reduce their profits. I do not believe anybody will dispute that now. Let me ask you this question, Mr. Lowry: It seems that the refiners got together and they fixed the price that was to be paid by the consumer?

Mr. LOWRY. They fixed the refining margin.

The CHAIRMAN. And also the price that was to be paid to the producer. They fixed the Cuban price?

Mr. LOWRY. The international committee did; yes. Only these two refiners and Mr. Rolph——

The CHAIRMAN. On which the American refiners alone are represented?

Mr. LOWRY. Yes; with Mr. Rolph.

The CHAIRMAN. How do you suppose the refiners would like to have a committee of consumers get together and fix their prices?

Mr. LOWRY. I think they would be unhappy about it.

The CHAIRMAN. Do you not think that would be just as fair as to have the refiners fix the price on the consumers?

Mr. LOWRY. Yes.

The CHAIRMAN. Have you heard in all this food administration yet of any instance where the ultimate consumer has been called in to fix the prices on the producer, or even consulted seriously?

Mr. LOWRY. Only so far as the Food Administration represents the ultimate consumer.

The CHAIRMAN. Oh, yes; and the Food Administration has gathered to itself as its assistants the great producers and great manufacturers?

Mr. LOWRY. Yes.

Senator JONES. Let me at that point ask you if it was not the effort of the Food Administration, in these various things which it did, by fixing the price of beet sugar and by fixing the price of Cuban raw sugar, to reduce the price of sugar to the consumer? Was not that the attempt in each case?

Mr. LOWRY. Well, they certainly have testified very freely to that.

Senator JONES. Have you not already said that that was what they were trying to do?

Mr. LOWRY. That is certainly what they said they were trying to do.

Senator JONES. Yes; and it is what you were trying to help them to do; was it not?

Mr. LOWRY. It was what I was trying to help them to do; yes.

The CHAIRMAN. You heard Mr. Hoover's statement about conserving the supply of sugar in this country by cutting down the consumption to three pounds per month, did you?

Mr. LOWRY. Yes.

The CHAIRMAN. Have you seen the circulars that have gone out concerning the cutting down of the use of sugar—the circulars or orders that have gone out from the Food Administration?

Mr. LOWRY. No. I saw two orders that came out in the fall with regard to manufacturers. The first order from the Food Administration was that no more sugar could be sold to manufacturers.

Then about three days later they changed that and said that 50 per cent of normal requirements could be sold to manufacturers.

The CHAIRMAN. Have you those orders?

Mr. LOWRY. I have copies of them, I am sure, in my market reports. [Examining papers.]

Senator JONES. Mr. Lowry, along in the early part of July the Federal Sugar Refining Co. was issuing what is called a Federal Reporter, was it not?

Mr. LOWRY. Yes, sir. I write those market reports.

Senator JONES. I will ask you if, in the Federal Reporter of July 2, you wrote this:

The simple fact is that Cuba is getting to the end of her crop, and available unsold supplies are steadily diminishing. On the other hand there is no slackening in the demand. Refiners in the United States are having a good distribution of refined sugar and there is no prospect of any let up. Invisible stocks in the hands of the distributing trade throughout the country are comparatively small. Consumption is increasing with seasonable weather, and prospects indicate a rather more than normal demand for preserving purposes. Europe is, of course, being more conservative in its use of sugar, but destruction of stocks in transit as a result of submarine attacks must be replaced by new purchases, and the combined buying brings us to rather an acute situation, which will be difficult to work out, and makes market forecasting almost impossible. While we can form some idea as to what our requirements will be, no one can tell how much raw sugar and (or) American granulated will be needed to fill Europe's wants now that importation from Java is so difficult.

Do you recall that?

Mr. LOWRY. I do. What was the date of it, Senator?

Senator JONES. July 2.

Mr. LOWRY. It shows you that far in advance, it was known that an extraordinary effort must be made to keep the market supplied.

Senator JONES. On July 19 I find in the Reporter:

The production of the few mills that are grinding in the outports is negligible as compared with the weekly reports, so that it is only a question of how long the remaining stocks will last, in the face of the demand from Europe and the United States.

That was in regard to raw Cuban sugar; and in regard to refined sugars on the same date:

One important feature is the fact that stocks of refined sugars in the hands of refiners at consignment points are so much less than last year. In fact such stocks are at a minimum, and it looks as though it would be impossible to replenish them this season.

That comes from your Reporter, I believe?

Mr. LOWRY. It is quite familiar; yes.

Senator JONES. On July 26:

As previously pointed out, the remaining stocks of unsold sugar to come from Cuba this campaign are small, and sells well placed to exact full prices. Competitive bidding on the part of our refiners, the British commission, and Canada, is exactly what they desire, and for some time now they have been steadily able to advance values after every buying move, the market having been advanced in this way about 1 cent per pound in the last five weeks. How far they will be able to carry this remains to be seen.

Mr. LOWRY. Yes; I referred to the same condition in my testimony earlier in the day.

Senator JONES. And on July 30:

Messrs. Willett & Gray report stocks in the United States and Cuba together at 807,596 tons, against 844,816 tons last year, a decrease of 37,220 tons. Total stocks in all hands at the Atlantic ports on July 25, they estimate at 222,274 tons, a further decrease of 64,769 tons from last year. In considering available supplies from now until the first of January, we must not overlook the fact that in other years we have been receiving mostly in the fall months in the neighborhood of 120,000 tons from

the Philippines. This year, so far as we can learn, little or none of this sugar is now coming forward, the difficulty being the matter of freights, just as it has been on Java sugars needed in Europe. At the moment there appears to be no way of overcoming this condition.

Do you recall that publication?

Mr. LOWRY. Yes, sir.

Senator JONES. Did those Philippine sugars actually come?

Mr. LOWRY. No. Only a few of them came. I have not the complete figures as to the arrivals of Philippines; but there is a gentleman here ready to testify, Mr. Connell, who handles the larger part of the Philippine sugars that ordinarily come to this market, and he can explain that situation to you fully.

Senator JONES. So, then, we were losing about a million ton -- I mean the United States and her allies—from Java, and then a considerable part of the supply which would ordinarily have come from the Philippines, because of the lack of tonnage

Mr. LOWRY. Not a million tons, Senator. They would not bring a million tons of Javas on. Had the British commission been able to secure, instead of 200,000 tons, we will say, 350,000 to 400,000 tons, that would have remedied the condition so far as we were concerned. Our estimates in the beginning of the year were that they would probably use about 350,000, possibly 400,000 tons of Javas. Instead of that, they have gotten probably not much over 100,000 tons.

Senator JONES. But in order to get along with that small amount it would have been necessary to curtail somewhat the consumption in those countries, would it not?

Mr. LOWRY. In Europe?

Senator JONES. Yes.

Mr. LOWRY. Oh, yes.

Senator JONES. And of course none of these countries want to curtail consumption if a supply can be obtained at a reasonable price?

Mr. LOWRY. They must curtail. They have not the tonnage, and they must get along with less sugar. It is not a matter of choice; it is a matter of necessity.

Senator JONES. But under all these circumstances it was inevitable that there would be an extraordinary demand for Cuban sugar, was it not?

Mr. LOWRY. Oh, yes. As soon as it was found out that Europe would not go to Java for any considerable quantity, they then looked around and took up what I have previously referred to as the "convenient supplies" which were in Cuba. They jumped into the market and bought those for future delivery while we stood around and waited. Then, after they were gone, and we were in a hole, of course then it was difficult to overcome the situation. We could not proceed, as I said, or merchants would not proceed—I am talking about June and July and August—to lay in a stock, because they could not tell what was ahead of them through the food control.

Senator JONES. This did not relate to the food control; or, rather, you did not——

Mr. LOWRY. Well, it was so well known in the trade and everybody knew that the people would not buy for fall delivery.

Senator JONES. But this shortage here did not refer to food control?

Mr. LOWRY. Oh, no. The shortage was developing steadily, and you see, as my testimony showed, I did not wait till July to call atten-

tion to it. I called Mr. Hoover's attention to the possibility of it as early as May.

Senator JONES. On August 6 you gave a review of the situation in which you stated:

Owing to the acute situation that exists our market has continued to develop strength since our last review, and on Friday sellers succeeded in securing asking prices, when 60,000 to 75,000 bags Cubas, for prompt August and September shipment, sold to local refiners at 6¼ cents, cost and freight.

Mr. LOWRY. This is what date?

Senator JONES. August 6.

Mr. LOWRY. Yes.

Senator JONES (reading):

At the same time 2.500 bags Porto Ricos for August shipment sold at 7.21 cents c. i. f. basis 96°, and 750 tons Peruvians, or full-duty sugars, in the same position sold at 6 1/16 cents c. i. f. We had a very strong opening this morning, sellers being practically withdrawn. Finally a few sugars were offered at 6⅝, cost and freight, for August shipment from Cuba, but there is the impression that if 6½ cents, cost and freight, was bid, it would be accepted. To give an idea of sellers' views, we would mention that one lot of Porto Ricos is offered at 7.34 cents delivered, while other sellers talk 8.02 cents, the latter price being about equivalent to 7 cents, cost and freight, for Cubas. With the market running wild in this fashion, predictions of future values are merest guesswork. We have in the past frequently called attention to underlying conditions which make it possible for such a market to exist. In these there has been no change. With raw-sugar receipts at the United States four ports, running at a little over one-half our weekly meltings, so that reserve stocks are being steadily depleted, and Europe and ourselves competing for the remaining stocks in Cuba, which are relatively small and in few hands, holders of unsold sugar are able to take full advantage of the unusual position in which they are placed and as a result values are steadily being advanced. Who can tell how far this will carry us?

During the past three years we have seen many unusual situations, and more than once it seemed as though there would not be enough sugar to go round, but the anticipated famine has always been avoided. Sometimes relief comes from unexpectedly large invisible supplies, combined with decreased consumption. At other times relief came from the tapping of new sources of supply, as when Europe in 1915 again began importing Java sugar in large quantities. At present the invisible stocks in the hands of the wholesale and retail grocery trades throughout the country seem to be relatively small, and any increased distribution, as shown by Messrs. Willett & Gray's figures, referred to in our circular of July 19, showing apparent increased consumption of nearly 11 per cent for the first six months of 1917, if not consumed, must be in the hands of consumers, where it is not "liquid," and for that reason has far less effect on the market than if it was in the hands of the trade.

Contrary to experiences in other years, actual consumption does not seem to be diminished by the high prices, due probably to extraordinary efforts that are being made to preserve fruits, etc. So far as new sources of supply are concerned, there are none until the new crop domestic beets come on next October. There is, of course, a surplus stock of sugar in Java, which would be very glad to find a market, but here the transportation difficulty steps in and prevents its shipment to Europe or the United States. Whether or not this eventually will be overcome, remains to be seen, but so far as these supplies are concerned, it is now apparently too late to forestall the shortage which threatens us between now and November 1. As stated above, there is nothing new in all this, it having been referred to repeatedly by us in the past.

Mr. LOWRY. Senator, you see that market report very clearly indicates that in my mind the shortage was to come between then—what was the date of it?

Senator JONES. That is August 31 I think.

Mr. LOWRY. Or somewheres around that period, between that and November 1, and that on November 1 I figured that the shortage was going to be relieved by the beet sugar which would come East so freely. Now, as it turned out the most acute shortage was after November 1, as the beet sugar did not come East, but it all shows, and all the reports right through there, will show, that a shortage was probable

and that an extraordinary effort was to be made if it was to be avoided.

Senator JONES. Did not the publication of such information as that have a tendency to increase prices?

Mr. LOWRY. But that did not go to consumers. That went to large dealers and sugar merchants and people of that class.

Senator JONES. Do you not suppose that those sugar merchants told their consumers about that?

Mr. LOWRY. It is a long cry from the sugar merchants that receive that to the consumer. This goes to the head of the house, and he would have to tell it to his salesman and the salesman would have to tell it to the retail grocers, and the retail grocers to the consumers. I do not think the retail grocer posts the consumer very much on sugar market conditions.

Senator JONES. Of course I understand that your purpose was to give this information only to your customers. Was it not done for the purpose of acquainting them with actual conditions so that they would increase their purchases?

Mr. LOWRY. As we saw it, and they could protect themselves, yes.

Senator JONES. And of course would not be afraid of paying the price which you might ask?

Mr. LOWRY. Yes, either we or some one else. It does not go only to our customers; it goes to the entire trade. There are very few—most buyers buy from the different refiners. They do not confine their business solely to one refinery. I wish they did, and that that refinery was the Federal.

Senator JONES. The paper which I just read from was not dated the 31st of August, but August 6.

Mr. LOWRY. There is a better one on the 31st of August, which measures up the supply.

Senator JONES. Yes, I was just coming to that. On August 31 you give another statement in which the following is said:

Allowing average meltings at the four ports of only 50,000 tons, this gives us but little over nine weeks' supply of sugar. The only other supplies of cane sugar available between now and the 1st of January will be the supply from Louisiana. These figures may not be exact, but they are approximately correct, and for once it looks as though we may have reached the often talked of but never yet realized point where cane supplies would be exhausted.

A further cutting down of meltings would of course make the stock last longer, but can the trade be supplied with any reduction in meltings, especially in view of the increased amount of preserving anticipated for September and October? Notwithstanding the increased distribution of sugar for the first six months of the year, the distributors, wholesale and retail, do not seem to have much sugar on hand at the present time, so that if there is any accumulation of stock, it is the consumer. To what extent these invisible supplies will carry us over this period of stringency, remains to be seen, and is impossible now to estimate. Certainly with such a situation confronting us, it is to be hoped that nothing will happen to delay the harvesting of the beet crop, and that sufficient cars will be available to move these sugars over an extended territory, as fast as produced.

From the same circular, under the headings of "Cuba," "Sugar," and "Food control," you state under the heading "Cuba":

There is nothing new in the situation from the island. What price sellers will decide to accept for the few remaining unsold stocks in the island remains to be seen. Although all these stocks are needed, refiners are certainly in no mood to pay a full price for same.

About refined sugar you state:

Refined sugar: All, prices remain unchanged. The expectation of lower prices later on has resulted in a complete cessation of buying on the part of both the retail

and jobbing trade. These interests are now engaged in reducing their stocks to an absolute minimum. Consumption is still going on, and with the disposition to preserve extensively, there is no reason to expect any falling off for at least the next six weeks, so, with the trade going out of stocks at this time, it is possible that during the latter part of September or the first part of October there may be a short period when it will be difficult to obtain the necessary supply of sugar when needed. All this, however, is very problematical, and it is an old axiom in the trade that when buyers begin to scrape the bottom of the barrels before making further purchases, they are able to stay out of the market for a longer time than theoretically seems possible.

Mr. LOWRY. Yes, that was the result of the Food Administration putting out reports about the beet-sugar arrangement at 7.25, and it has the effect of making everyone think the price would be lower, and naturally they withdrew from the market and cleaned up their stocks on hand, and that, in turn, left them in a very bad condition later on when the beet supplies were not available.

The CHAIRMAN. Who put out the impression that the prices were going to be lower later on?

Mr. LOWRY. The Food Administration when they made this arrangement with the beet people at 7.25; they published that very widely.

The CHAIRMAN. They had made a great saving, and sugar was going to be cheap?

Mr. LOWRY. They had effected this voluntary arrangement with the beet men which was going to reduce the price, and would have the effect of reducing the cane-sugar price.

The CHAIRMAN. Before you knew you were going to testify, a month ago, right on this subject you warned the trade that the very effect that you spoke of, that is the people would quit buying, was being worked out, and that it was a menacing thing in the market? You pointed that out months ago?

Mr. LOWRY. I called attention to that fact.

The CHAIRMAN. Yes.

Senator JONES. Under the head of "Food control," you stated as follows:

Food control: Refiners will be in Washington next Wednesday to confer with Mr. Hoover and Mr. Rolph with regard to the sugar situation. Meantime a war emergency food survey is being taken by the Department of Agriculture; which, when completed, will show exactly the amount of sugar in the country on August 31. This information will of course be very helpful to the Food Administration, which is endeavoring to carry us through the period of stringency this fall and prevent excessive prices.

Then, under the heading "Unsold supply would last few days only," I read the following:

On September 19 the amount of unsold sugar in Cuba was estimated at 50/60,000 tons, which the owners were making no effort to sell. Reference was also made of the holding up of exports of refined sugar on account of the possible scarcity of supplies for our own requirements. Arbuckle's Refinery had closed. On October 3 the sugar in Cuba was referred to as follows:

"The Food Administration's hope has been that by keeping buyers out of the market the small remaining stocks in Cuba would eventually be secured at some concession, but the owners have shown no disposition to give up the advantage of the strong statistical position in which they find themselves, as shown by the figures which we print below."

Mr. LOWRY. You see, reading between the lines there is not a criticism of the Food Administration, but you will find a feeling—that is it must be apparent that the writer had a feeling—that it was

a mistake to stay out of the market; that supplies of sugar must be obtained when they could be obtained.

Senator JONES. Continuing with your article, I read as follows:

In any event the unsold supply is small, and if it were all secured, would probably not run our refineries more than a week or 10 days.

Mr. LOWRY. Yes, we were deep in the hole then.

Senator JONES. And on October 10 you stated as follows:

Well posted Cuban interests figure that the unsold supply of sugar in Cuba will not exceed 25,000 tons. Others think it is a little more than this. That the amount is very small seems to be confirmed by the light offerings at any price, and it now seems that those supplies will be almost entirely exhausted by the early part of November, as indicated in our late August estimate.

Then under date of October 24, is the following statement:

In view of the way the statistical position has worked out, based on supply and demand, it is interesting to refer back to our reports of the latter part of August and early September, in which it was pointed out that apparently supplies of sugar——

Mr. LOWRY. Cane sugar.

Senator JONES. Supplies of cane sugar?

Mr. LOWRY. The word "cane" should be in there. I am following you on my own report which is before me.

Senator JONES (continuing reading):

Apparently supplies of cane sugar would last until the first part of November. As to the present situation, the figures which we print below of supplies in Cuba and the United States speak for themselves.

Then in the same issue, that is of October 24, is the following under the head "Domestic beets." I read as follows:

Domestic beets: Are in scant supply, because of the excessive territory which they are trying to cover, and delays in transportation. Apparently everything possible is being done to expedite the movement of these sugars, but it is hardly likely that the scarcity of supplies will be relieved as far as the Eastern markets are concerned, for the next six weeks.

That was the situation, as you understood it then?

Mr. LOWRY. Yes. That was what the Food Administration said and all were being careful not to criticize.

Senator JONES. Under the head of "Refined Sugar" in that same issue appeared the following:

Refined sugar: The refined sugar situation becomes daily more acute. Refiners for the most part are out of business, having sold out the stocks which they own. The American Sugar Refining Co. yesterday made an announcement that for the present no further sales of bulk sugar could be made to the grocery trade, and the business would have to be confined to package sugar.

Mr. LOWRY. There is some more of it. You are going to read that, are you?

Senator JONES. Yes. That reads as follows:

Scarcity was real in October. The newspaper reports having impressed upon consumers the fact that there is a real scarcity of sugar, and frantic efforts are being made to obtain supplies, but, so far as we can see, there is no relief in sight, and it is clear that during the next month to six weeks many will find it impossible to secure their usual allowance. This in itself will probably do no harm, and will have the effect of impressing upon the people the necessity of conserving their food products as indicated by the repeated warnings of Mr. Hoover's administration, so that in the long run the present forced curtailment may be beneficial.

Mr. LOWRY. Yes; that was the situation. You see, Mr. Hoover did not say so to me, but others did, "Well, if they do run short of

sugar, it won't hurt them and this will be really the first evidence that the people have had that they must conserve, and the indirect benefit may be great."

Senator JONES. Now, I wish to call to your attention a statement which was made in your report of October 31, 1917, concerning the so-called contract with the American Sugar Refining Co. and the Louisiana Cane Producers, in which you stated as follows:

> Advices just received indicate that the assumption that this sugar had been purchased is perhaps premature, as the Louisiana interests do not seem to have committed themselves, and it appears that the proposition was more in the nature of an offer on the part of the American Sugar Refining Co. to take this sugar at a price fixed by the Food Administration. Just how this is going to work out remains to be seen.

In view of that statement of October 31 as to the nature of this arrangement entered into between the American Sugar Refining Co. and the Louisiana growers, do you not think it rather unfair for Mr. Spreckels, the president of this Federal Co., who got out of this reporter, to have come upon the stand and make the bald statement that Mr. Babst entered into a contract for 100,000 tons of that sugar on the afternoon when the price of Louisiana sugar was fixed by the Food Administration?

Mr. LOWRY. The speaking of it in the way of a contract is one thing. The speaking of it in the way of an agreement is another. Mr. Babst did enter into an agreement, yet it was put out in the press by the Food Administration, and in the press by Mr. Babst, that a contract had been arranged, is also certain. It was not until this later date, you see, that we knew that it was not a contract: We—the Federal Sugar Refining Co.—thought that it had been a contract. In that connection, you see it is not the legal responsibility, it was the moral responsibility that we questioned. We did not think it was right, morally, for the Food Administration to make that arrangement and then to allow Mr. Babst to be the only refiner to benefit by it; and we did not think it was morally right for Mr. Babst to do it, as a member of the international committee. We feel that they both should have seen to it that those sugars secured in that way were properly allotted among all the refiners.

Senator JONES. Now, if Mr. Spreckels had made that sort of statement, I would not have any objection to it, but in view of the fact that on October 31 your company knew and published to the world the fact that it had been ascertained that there was no cont
that Mr. Babst had simply made an offer for these sugars, a
known at that time, I suppose, that the amount of offers
was very limited, do you not think it was a little unfair to re
of that information in giving testimony, and to refer to it in
terms, with no explanation?

The CHAIRMAN. I do not think so.

Mr. LOWRY. I do not think so; no. It was the atten
attempt was made, and it was no thanks to the Food Admin
or to Mr. Babst that the entire 100,000 tons were not secure
American Sugar Refining Co., and that they did not reap
plete advantage.

Senator JONES. Can you say that any attempt was made t
thing which was not done, and that the only thing which
was to make a mere offer for the sugar.

The CHAIRMAN. I can say that I have seen many a man sent to the penitentiary for attempted murder who did not succeed in committing the murder.

Senator JONES. But he usually shot a gun or did something of that kind in an attempted murder.

The CHAIRMAN. I think they shot their gun in this case. However, I do not think you and I ought to get into a discussion about that.

Senator JONES. The only thing shot here was a popgun. It was a mere offer.

The CHAIRMAN. It is a little singular that Mr. Babst withdrew from the room because he could not be in a position of unjustly influencing these sugar men from Louisiana, if all he was going to do was to make a mere offer that was to be binding on nobody morally or in any other way. However, I think the comments of all of us are out of place here. We ought to get along. Had you finished, Senator Jones?

Senator JONES. Yes.

The CHAIRMAN. As a matter of fact what you know about these contracts is just what has been produced here in evidence and what was understood at the time. You did not examine the papers to see what had been signed?

Mr. LOWRY. I did later, but they were not available until a considerable time later.

The CHAIRMAN. I do not care to spend any more time on that. Those contracts, or whatever they are, are here in the record, and they will speak for themselves, and if they did constitute in substance and effect a contract, then Mr. Babst was engaged in a bit of child's play, and that is quite unlike him. But I want to call your attention now to one or two things, and then I am through. I first call your attention to a statement of Mr. Hoover which he gave in testimony here:

> The international committee has worked up and we have all worked on a distribution of sugar for the next year as between the different Governments, and on the preliminary figures, basing the Cuban crop at 3,200,000 tons—and we all have hopes of a larger crop—the allied demands are short about 250,000 tons, if we have our full normal consumption. And it becomes a problem as to whether we shall give up 250,000 tons on the one hand, whether the Cuban crop shall turn out 3,200,000 tons or more than 3,200,000 tons, and the alternative of whether we shall reduce our consumption by 250,000 tons to 300,000 tons.

Pausing at that point, you say that the best estimates are that the Cuban crop instead of being 3,200,000 tons will be 3,500,000 tons or more?

Mr. LOWRY. Under normal weather conditions and the estimates that I regard best.

The CHAIRMAN. If that occurs, then there will be no shortage on the basis of Mr. Hoover's own figures?

Mr. LOWRY. No, sir.

The CHAIRMAN. Because that would more than make up the 250,000 tons that he says will be short to the allies. There is a further conservation or reduction that Mr. Hoover referred to, and I desire now to call attention to testimony given a little further on. I read further from Mr. Hoover's testimony with respect to the same topic:

> Senator LODGE. How much did you estimate they had to get from this country?
> Mr. HOOVER. There are two reductions in force that should be borne in mind—ne the household supply and the other the manufacturing supply.

Senator LODGE. I understand.
Mr. HOOVER. And the reduction first goes against the manufacturer and subsequently against the householder.
Senator LODGE. Of course both are included in these per capita figures.

A little farther on he testified further in regard to reductions.

Senator LODGE. I had been questioning about offsetting the amount in canning.

The CHAIRMAN. Yes; Senator Lodge had been questioning Mr. Hoover about the amount of increased sugar consumption in canning, and whether that had been offset by conservation. I shall now read that testimony:

Senator LODGE. You have also done a great deal in the direction of promoting conservation of food products, and particularly sugar, have you not?
Mr. HOOVER. We have done as much as we could do from a purely voluntary point of view and I think more or less equalized the increased amount that went into canning by a reduction in consumption, so that we have diminished the difficulties by that amount.
Senator LODGE. Of course it is impossible to get anything resembling accurate figures as to what amount has been saved.
Mr. HOOVER. No. The only real indications are the reports of the candy manufacturers of decreased sales, and that sort of thing.
Senator LODGE. Judging from my own neighborhood, Boston, there has been a great deal of saving.
Mr. HOOVER. I believe there has been a very great deal throughout the country.
Senator LODGE. And that includes sugar?
Mr. HOOVER. Yes, sir.
Senator LODGE. Do you expect an increase in the saving of sugar in the coming year?
Mr. HOOVER. On the program which we have worked out together with the allies, we could get through next year if we could make a reduction of about 300,000 tons—it is a close shave—in our consumption; say 10 per cent. How far that can be accomplished is yet to be seen. It certainly could be accomplished, I might mention, if we had some legislation by which we could control the manufacture and use of sugar.
Senator LODGE. You mean candy and soft drinks and things of that sort?
Mr. HOOVER. Yes.
Senator LODGE. Have you recommended a limit of 3 pounds per month for each person?
Mr. HOOVER. Yes, during this period.
Senator LODGE. During the coming year?
Mr. HOOVER. No; until such a time as we can see our way more clearly. These recommendations that we make are made from time to time as the situation develops.
Senator LODGE. That would mean a per capita consumption of 36 pounds per year, would it not?
Mr. HOOVER. For household consumption.
Senator LODGE. But the per capita figures here that we have from the total consumption of sugar, of course, include all sugar consumed in any way?
Mr. HOOVER. Quite true. Our rough estimates—I may say that these figures are very obscure, even after a great deal of study, as to the ratio of sugar used in manufacture as against household purposes—our rough view is that the household consumption is somewhere from 50 to 55 pounds, and we are recommending 36 pounds to get over this difficult period. My one desire would be to give the normal consumption for household purposes.

There is more testimony to the same effect. The amount of the testimony is that there is a shortage, that there is to be a shortage, and it is to be made up by conserving in the household, a reduction in the household consumption to 36 pounds, and yet in that connection I want to put in this order of the Food Administrator appearing on page 302 of the American Sugar Bulletin of date December 28, 1917, which I shall have marked "Exhibit 218," and which I put in for the purpose of showing that Mr. Hoover knew when he gave this testimony that there was no real sugar shortage.

(The notice referred to was marked "Exhibit 218," and is herewith printed into the record as follows:)

EXHIBIT No. 218.

ANNOUNCEMENTS OF THE UNITED STATES FOOD ADMINISTRATION.

NEW YORK, *December 28, 1917.*

In October you were requested to limit sales to confectioners and manufacturers of nonessential food products to 50 per cent of normal requirements. On account of the close approach of new-crop sugars you are hereby authorized to sell to said manufacturers and confectioners up to 80 per cent of their requirements. It is hoped that as soon as definite information is obtained as to the probable outturn of new crops, all limitations will be removed. Conservation should be practiced, however, and we request that you suggest to the confectioners and manufacturers of nonessential food products that they use substitutes for sugar, wherever possible, such as honey, glucose etc. This ruling should enable those manufacturers to maintain their organizations and continue in their employ the people who have been with them for so many years. Please give necessary publicity to this matter.

UNITED STATES FOOD ADMINISTRATION,
GEORGE H. ROLPH.

I observe attorneys and representatives of the Food Administration here, and I want to ask them if they have the manuscript that was given to the press of to-day touching the necessity for additional legislation giving additional powers to the Food Administration?

Mr. LAMB. I have not. I have not seen it.

Mr. MCGINNIS. I do not think that it was given out.

Mr. LAMB. I shall undertake to get anything that has been issued.

The CHAIRMAN. I call attention to the article in the right-hand column of the Evening Star of to-day (Jan. 8, 1918), under the headline "Hoarding of food threatens the defeat of allies in war," and I desire to know whether it was not prepared and given out by the Food Administration.

Mr. LAMB. I shall undertake to find out.

The CHAIRMAN. I want to know whether that article did not come from that source. In connection with the article, which I intend to insert into the record, because I assume it came from the Food Administration, from its context, I call attention to the fact that the article states as follows:

The great effort of the United States Food Administration since its creation last May has not been productive of the necessary results. The American people have given lip service to the cause of food conservation, but they have not conserved. Their pledges have not been kept.

Unless America does what she has undertaken to do in the way of supplying England and France and Italy with food, those countries will collapse and the United States will face Germany alone.

There is no other way out. Their food resources are short of their absolute minimum requirements. America must make up that shortage. If it doesn't, England and France and Italy must make peace with Germany.

It is not a great sacrifice the Government, through Herbert Hoover, is asking the American people to make. In fact, it is no sacrifice at all. They would be better off physically and financially for eating as they are asked to eat.

The American people eat 80 per cent more proteins (chiefly in the form of red meats, beans, etc.) then they require to maintain health. Ten per cent of this excess will meet the needs of the allies, leaving Americans 70 per cent more than they need.

Then follows considerably more in a detailed statement. In connection with that I desire to put in the following statement of

Mr. Hoover given in testimony in answer to Senator Lodge, which I read a little while ago:

Senator LODGE. Of course it is impossible to get anything resembling accurate figures as to what amount has been saved?

Mr. HOOVER. No. The only real indications are the reports of the candy manufacturer of decreased sales, and that sort of thing.

Senator LODGE. Judging from my own neighborhood, from Boston, there has been a great deal of saving.

Mr. HOOVER. I believe there has been a great deal throughout the country.

In that connection, because I think this claim that there has been nothing but lip service ought to be met, I put into the record certain articles that were given to the press by the Food Administration, the original copies of which I have in my hand, and which are furnished by Mr. Hoover's office. These articles I shall have marked "Exhibits 219, 220, 221, 222, and 223" and bear numbers "536, 540, 545, 546, 554;" and I would like to have the Food Administration produce for me their similar publications of numbers 535, 536, 537, 538, and 539.

(The papers referred to were marked "Exhibits 219, 220, 221, 222, and 223" and are herewith printed in the record in full, as follows:)

EXHIBIT No. 219.

[United States Food Administration, Washington, D. C. Requisition. For release for evening papers of date ——. No. 536. Dec. 15, 1917.]

The first complete returns from any State showing the amount of food saved by hotels and restaurants during November have just come in from Nebraska.

One thousand two hundred and ninety-seven hotels and restaurants out of a total of 1,564 in the State have so far signed the pledge card.

It is estimated by J. F. Letton, State Hotel, chairman for Nebraska, that the savings in these hotels and restaurants for the month named are as follows:

Wheat flour, 294,419 pounds, or 1,502 barrels.

Meat, 422,822 pounds, or 211 tons.

Sugar, 198,441 pounds.

EXHIBIT No. 220.

[United States Food Administration, Washington, D. C. For release for evening papers of date ——. No. 540. Dec. 17, 1917.]

The Federal Food Administrator Stearns, of Colorado, reports that the hotels and restaurants in his State during November saved through substitution 64,780 pounds of meat, 39,585 pounds of wheat flour, 19,019 pounds of sugar, and 6,727 pounds of fa

The Colorado administrator figured that the amount of food saved would feed 4,5 soldiers for 15½ days.

EXHIBIT No. 221.

[United States Food Administration, Washington, D. C. For release for morning papers of Dec. 21, 1 No. 545. Dec. 20, 1917.]

The railway dining car services of the country reported to the United States Fo Administration to-day that during the months of October and November they effect the following savings in meats, wheat flour, and sugar:

Meats, 469,509 pounds, or over 234 tons.

Wheat flour, 238,098 pounds, or over 1,214 barrels.

Sugar, 25,699 pounds, or over 12½ tons.

These savings are the more remarkable for the reason that they were made desp an increase of 20 per cent in the number of persons fed in dining cars in October a November, 1917, as compared with the corresponding two months of the previous ye

EXHIBIT No. 222.

[United States Food Administration, Washington, D. C. For release for morning papers of Dec. 20, 1917 No. 546. Dec. 19, 1917.]

Wheat and meat savings of Michigan, Arkansas, and Arizona hotels and restaurants during November were reported to the United States Food Administration to-day as follows:

Eight hundred Michigan establishments saved 134,744 pounds of meat and 80,674 pounds of wheat flour. State Hotel Chairman A. C. Puffer estimates on this basis that all hotels and restaurants in Michigan saved 403,332 pounds of meat and 242,022 pounds of wheat flour during November.

Two hundred and forty-eight of 1,250 Arkansas eating places report savings of 20,240 pounds of meat and 14,798 pounds of wheat flour.

Arizona hotels and restaurants report savings of 31,780 pounds of meat, 14,907 pounds of flour, and 13,769 pounds of sugar during November.

Michigan is the third and Arizona the fourth State to make approximately complete reports on their monthly wheat and meat savings. Nebraska and Colorado were the first two.

Combined, these States and scattering a couple of individual November reports from hotels and restaurants show a saving of 1,232,208 pounds of red meat, 727,285 pounds of wheat flour, and on three incomplete State reports, 224,229 pounds of sugar. These, of course, are very incomplete reports and serve merely to show the conservation trend in hotels and restaurants generally.

EXHIBIT No. 223.

[United States Food Administration. For release for evening papers of date ——. No. 554 Dec 29, 1917]

Additional reports to the United States Food Administration show that 147 hotels in Ohio saved during the month of November 57,745 pounds of meat, 16,035 pounds of wheat flour, and 14,580 pounds of sugar. These represent only 50 per cent of the hotels in the State. In 335 restaurants (40 per cent of the total) the savings amounted to 143,035 pounds of meat, 53,985 pounds of wheat flour, and 41,675 pounds of sugar. Ben. H. Harmon, State hotel representative for the Ohio Federal Food Administrator, estimates from these figures the following savings for the public eating places of the State as a whole: Meat, 473,878 pounds, or 237 tons; 174,593 pounds of wheat flour, or 898½ barrels; sugar, 133,348 pounds, or 87 tons.

Dr. Harry E. Barnard, Federal Food Administrator for Indiana, has reported to the Food Administration approximated November savings of 695,000 pounds of meat and 311,250 pounds of wheat in the hotels and restaurants of his State.

The CHAIRMAN. I would thank the gentlemen who represent the Food Administration if to-morrow they will please bring us the complete files of these reports that they have sent out, showing the amount of this conservation, and I would like to have their files showing the reports of the State food administrators touching the question of whether or not the people of the United States are refusing to attempt to save foods or making an effort to save foods.

Senator JONES. I suppose that request is upon the assumption that the newspaper articles from which you have read was given out by the Food Administration?

The CHAIRMAN. It is made upon this assumption, that this committee ought to know the whole sugar situation, and as these reports refer to the whole food situation, including sugar, I think the committee ought to be put into possession of them.

Senator JONES. I think so.

The CHAIRMAN. Of course, whether this was given out by the Food Administration is a matter to be passed on in the future. Have you any further question, Senator Lodge?

Senator LODGE. No; I think not.

Senator JONES. Before Mr. Lowry goes, I want to ask him one question. Will you please give me the names of the other members

of the committee on distribution of beet sugar, of which you are the chairman?

Mr. LOWRY. I was chairman of a subcommittee of the American refiners' committee, which was not organized originally for the purpose of distributing beet sugar, but was organized for the purpose of distributing certain sugars which the Government—that is, the Food Administration—had taken over either by commandeering or through negotiation. These sugars were originally intended to go to the neutral nations and they could not get their licenses to export them. An arrangement was later made that the same committee handle the beet situation. That committee was composed of the sales managers of the different refineries, Mr. Max Crone, of Arbuckle Bros.; Mr. John Bruyn, of B. H. Howell Sons & Co.; Edward Wemple, of the Warner Sugar Refining Co.; Spencer Shanley, of the American Sugar Refining Co.; and myself, acting as chairman. We undertook the distribution of the beet sugars in this eastern territory so as to insure their getting the widest distribution. The beet sugars as a whole have been distributed mainly, my understanding is, through Chicago. Mr. Horace Earle is the manager of that organization, which is quite large. I have not the names of all of the men who are connected with that, but they are beet-sugar men who have associated themselves under the direction of the Food Administration for the purpose of distributing the beet sugars throughout the territory, seeing that it gets a wide distribution and a prompt distribution.

Senator JONES. That is all. By the way, I was told that Mr. Jamison was ready to come and testify when we wanted him, and he wanted to know whether he should be here to-morrow.

The CHAIRMAN. I took the liberty of saying to the gentleman who represented him, Mr. Bryan, that I did not know whether the committee cared to call Mr. Jamison; that I felt that possibly we had all of the testimony we might desire, unless Mr. Jamison wanted to testify; that if he did want to testify, the committee would hear him; and that so far as the question of our wanting him to come is concerned, he need not unless we send for him.

Senator VARDEMAN. Mr. Chairman, with the consent of the committee I desire to introduce at this point just as a sample, not putting it in evidence, the following petitions, which I have received.

Senator LODGE. I have no objection.

Senator JONES. I have no objection.

(The petitions referred to were marked "Exhibits 224 and 225," and are herewith printed in the record, as follows:)

EXHIBIT 224.

PROTEST AGAINST THE AMERICAN SUGAR REFINING CO. TAKING ADVANTAGE OF THE POSITION OCCUPIED BY IT UNDER THE FOOD ADMINISTRATION TO ELIMINATE BROKERS IN REFINED SUGAR.

Hon. JAMES K. VARDEMAN,
United States Senator from Mississippi,
Washington, D. C.

(Please file this with the United States Food Administration.)

DEAR SIR: We, the undersigned brokers in refined sugar in the city of Meridian, Miss., herewith enter our protest against the action of Mr. Earl D. Babst as president of the American Sugar Refining Co. in eliminating dealing through brokers who have for the past 50 years or more been the distributing medium of the sugar trade, because under the present conditions of United States food control brokers are deprived of their usual weapons of defense, namely, the ability to divert this business to inde-

pendent refiners. This can not be done now as the business of the independent refiners has been definitely limited by the Food Administration, and the balance of the cane sugars consumed in the United States, amounting to nearly one-half, must of necessity be bought from the American Sugar Refining Co.

If such action by the American be permitted under existing conditions, nearly half of the business upon which thousands of brokers in refined sugar rely for their livlihood will be done away with, and as a result they and their dependents will be deprived of their means of existence.

We urgently request that you place this situation before the United States Food Administration and demand of it that the American Sugar Refining Co. be peremptorily instructed that during the continuance of food control they sell their products in the same way, by the same methods, and through the same channels as existed prior to the declaration of war.

In view of the opposition of Mr. Earl D. Babst to the United States Food Administration's policy of noninterference with the usual methods of trade and the equitable distribution of sugars, we hereby strongly protest against the continuance of Mr. Babst as a member of the International Sugar Committee of the United States Food Administration.

SMITH BROKERAGE CO. G10715.[1]
JOHN A. HARRIS. G17634.[1]
J. A. GIBSON. G19209.[1]
REDFIELD & CO. G07347.[1]
HAYWOOD & WOODS. G06790.[1]

EXHIBIT NO. 225.

PROTEST AGAINST THE AMERICAN SUGAR REFINING CO. BEING PERMITTED TO TAKE ADVANTAGE OF THE POSITION OCCUPIED BY IT TO FORCE THE PLACING OF ORDERS WITH SAID COMPANY, NOTWITHSTANDING THE DESIRE TO BUY REFINED SUGARS ELSEWHERE.

Hon. JAMES K. VARDAMAN,
United States Senator from Mississippi, Washington, D. C.:

(Please file this with United States Food Administration.)

DEAR SIR: We, the undersigned, handlers of refined sugars in the city of Meridian, Miss., herewith enter our protest against the action of the president of the American Sugar Refining Co. in eliminating dealing through our brokers, who have for the past 50 years served the trade faithfully. Under the present conditions of United States food control they can not place all of our business, should we so desire, with independent refiners, because the supply of raw sugars of the independent refiners have been definitely limited by the Food Administration. Therefore, the balance of cane sugars consumed in the United States, amounting to nearly one-half, must of necessity be bought from the American Sugar Refining Co.

We strongly object that such action by the American be permitted under existing conditions of food control, as we desire our brokers to buy from whom we choose, and not be under domination of any one interest, and urgently request that you place this situation before the United States Food Administration and demand of it that the American Sugar Refining Co. be peremptorily instructed that during the continuance of food control they sell their products in the same way, by the same methods, and through the same channels that existed prior to the declaration of war.

In view of the opposition of Mr. Earl D. Babst to the United States Food Administration's policy of noninterference with the usual methods of trade and the equitable distribution of sugars, we hereby strongly protest against the continuance of Mr. Babst as a member of the International Sugar Committee of the United States.

THE TOM LYLE GROCERY CO. [2] 24056.
MYER BROS. [2] 06777.
WIMER, KLEIN & CO. [2] 07853.
THORPE BROS. & CO. [2] 00908.
MERIDIAN WHOLESALE CO. [2] 27710.

The CHAIRMAN. The committee will adjourn at this point until 10.30 o'clock to-morrow morning.

(Thereupon, at 5 o'clock and 10 minutes p. m., the committee adjourned until 10.30 o'clock a. m., to-morrow, Wednesday, January 9, 1918.)

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[1] United States food license number. [2] United States Food Administration license number.

SHORTAGE OF SUGAR.

FRIDAY, JANUARY 11, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., pursuant to adjournment, in room 226, Senate Office Building, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, Jones, Lodge, and Kenyon.

TESTIMONY OF MR. WILLIAM E. LAMB.

(The witness was sworn by the chairman.)

Mr. LAMB. Mr. Chairman, may I make a statement here in regard to these matters produced in response to the request of the committee?

The CHAIRMAN. Certainly.

Mr. LAMB. I desire to present, in behalf of the Food Administration, the papers and documents that were requested by the committee some days ago. I am presenting them in the form of packages, numbered 1, 2, and 3.

No. 1 contains a complete record of the notices issued to the daily press since the creation of the Federal Food Administration.

The CHAIRMAN. Is that relating to all subjects?

Mr. LAMB. Every notice issued to the daily press on all matters handled by the Federal Food Administration since its creation.

Package No. 2 contains all trade and technical press notices and bulletins issued through the office of the Federal Food Administration since its creation.

Package No. 3 contains all of the rules and regulations, and interpretations of those, that have been sent out by the Food Administration either generally or through its different commodity sections, except those that I handed to you the other day; that is, the printed notices and rules and regulations that I presented some days ago.

Package No. 1 does not contain the press notices that were issued prior to August 10, 1917, because I am informed that in those days preceding the passage of the law matters were in a very unsettled sort of a state, and no real method of handling them was followed. Such as we have we would be glad to furnish, if your request goes back that far.

The CHAIRMAN. Oh, yes; we would like to have them. We want full information.

Mr. LAMB. I will try to get them if possible. I found it difficult to get those things, because no record was kept of them.

The CHAIRMAN. I happen to have a good many of them. They were sent out in great quantities. Perhaps, if you give me what you have, we can put the two together, and will have almost all of them.

Mr. LAMB. What I mean to state here is that the Food Administration is willing that you should have any of those things——

The CHAIRMAN. Oh, yes.

Mr. LAMB. That it has in its possession now that it can furnish.

The CHAIRMAN. Let me understand. Are there any divisions of the Food Administration, any sort of side organizations, that have been furnishing matters to the press that are not included here?

Mr. LAMB. The only institution that I have in mind that might have any affiliation or cooperation with the Food Administration is the Belgian Relief Commission.

The CHAIRMAN. I, of course, do not include that; but it has occurred to me from some expressions that have dropped out here in testimony that the publicity bureau may now be conducting cetain work, and that other work has been farmed out to other divisions, so that information has gone out that way to the press.

Mr. LAMB. The only information I have on that subject is that the Federal food administrators might issue matters to the press which we might not have back here.

The CHAIRMAN. You mean the State administrators?

Mr. LAMB. The Federal State food administrators.

The CHAIRMAN. Have you here in this matter you have submitted the orders and directions that have been sent out touching the regulation of the grain trade.

Mr. LAMB. I think I presented those to you the other day in the printed document in regard to flour and grain.

The CHAIRMAN. If we find there is anything else we want, we will of course come to you in regard to it.

Mr. LAMB. Yes. There is a little further statement I desire to make in regard to the press notice appearing in the Washington Star, I believe of the 8th, to which the chairman referred. I am authorized to say that the article was not written by anyone in the Food Administration or inspired by anyone in the Food Administration.

Senator KENYON. Who did write it?

Mr. LAMB. Somebody on the Star, so far as we know. Certain information and certain facts that appeared in that article about the necessity of saving are probably taken from a food card issued under date, I think, of December 1, which appears in one of these packages; but so far as——

The CHAIRMAN. Under date of December 1?

Mr. LAMB. Yes. In so far as the statement in the article relating to "lip service" is concerned, nothing of the kind has ever been issued by the Food Administration, so far as I can find.

In regard to the request to furnish statements or reports from Federal food administrators relating to the manner in which people were complying with rules and regulations of the Food Administration, I desire to say that they did not make reports in the form of reports, but it is all in the way of correspondence, and that we are diligently searching through those letters for anything that would bear upon the subject to which the chairman referred when he made his request for those reports.

The CHAIRMAN. Very well. We are much obliged.

TESTIMONY OF MR. WILLIAM W. GARDINER.

(The witness was sworn by the chairman).

The CHAIRMAN. Mr. Gardiner, where do you reside?

Mr. GARDINER. Brooklyn, N. Y.

The CHAIRMAN. What is your occupation?

Mr. GARDINER. Broker and publisher, a member of the firm of Willett & Gray.

The CHAIRMAN. I show you a chart marked Exhibit 66½, purporting to show the trend of sugar prices for the year 1917. Did you ever see this before?

Mr. GARDINER. I did.

The CHAIRMAN. Did you have anything to do with its preparation?

Mr. GARDINER. No, sir. I was asked to look over the quotations and see if they agreed with the published quotations of our journal?

The CHAIRMAN. Who prepared the chart?

Mr. GARDINER. Somebody in the Food Administration, so far as I know.

The CHAIRMAN. Then you were asked to check it over?

Mr. GARDINER. I was.

The CHAIRMAN. By what figures?

Mr. GARDINER. By our published figures in our journal.

The CHAIRMAN. The line purports to establish sugar prices, according to the quotations from your journal—that is, prices offered by different refiners?

Mr. GARDINER. Only two.

The CHAIRMAN. By two refiners?

Mr. GARDINER. Yes.

The CHAIRMAN. The Federal Sugar Refining Co. was one and the American Sugar Refining Co. was the other?

Mr. GARDINER. Yes.

The CHAIRMAN. Is that a correct way to establish the market price of sugar?

Mr. GARDINER. It is not, in my opinion.

The CHAIRMAN. What is the correct way?

Mr. GARDINER. The correct way is to take any refiner that is offering sugars and the method that we have used for a number of years in establishing quotations on granulated—and I am speaking of granulated, and that is the basis of all my talk—is to take the lowest quotation at which a buyer could buy 100 barrels of sugar for reasonably prompt shipment. If such a thing is impossible, we get the best shipment that could be obtained, and call that the basis of our quotation. The country does not care which brand it is, whether Federal or American, or anybody else. They want the sugar. That is usually the case.

The CHAIRMAN. As a matter of fact, prices are frequently quoted where the prices are put so high purposely as to withdraw the sugar merchant from the trade.

Mr. GARDINER. Yes.

The CHAIRMAN. And then again, prices are quoted down low, and yet when you undertake to get the sugar you can not get it for some reason.

Mr. GARDINER. That has been the case, and you could not get it for anything like reasonably prompt shipment.

The CHAIRMAN. So that the correct way is to ascertain the lowest price at which sugar can be secured in the open market for reasonably prompt shipment?

Mr. GARDINER. Yes.

The CHAIRMAN. I will ask you if upon that basis, which you say is the correct basis, you have put a line upon this chart to indicate the sugar prices for the year?

Mr. GARDINER. I have.

The CHAIRMAN. And that line is an ordinary black pencil line, is it?

Mr. GARDINER. Yes.

(The chart referred to is hereto appended.)

The CHAIRMAN. I notice that for a part of the months of August and September, the pencil line that you have drawn is slightly above and parallel with the black line on the chart showing the prices of the American Sugar Refining Co. Does that indicate that the prices were really higher, or is that drawn there simply to indicate that that is the price?

Mr. GARDINER. Yes, I have done it with a pencil rather than with a brush or pen. If I had drawn it upon the scale of that, it would have been identical with those quotations.

The CHAIRMAN. Wherever the line is parallel to it and close up, it is intended to indicate the same line?

Mr. GARDINER. Yes.

The CHAIRMAN. You said a moment ago that this chart was to show the prices of two companies.

Mr. GARDINER. Yes.

The CHAIRMAN. I will call your attention to the fact that the Federal is shown, and also the American and the California.

Mr. GARDINER. Yes. We do not keep track in our usual methods in the eastern end of the country with the California-Hawaiian, because they do not compete in this part of the country.

The CHAIRMAN. Ordinarily when the Cuban sugar crop begins to come in, do prices drop?

Mr. GARDINER. They do.

The CHAIRMAN. And do they drop ordinarily, also, in anticipation of a new crop, if the new crop is reported to be a good crop?

Mr. GARDINER. Yes, they do.

The CHAIRMAN. And when does the Cuban crop begin to come in?

Mr. GARDINER. Early in December, although there have been instances where they started in November. The harvest usually starts in November.

The CHAIRMAN. About when can you expect the drop to begin?

Mr. GARDINER. If the sugar people consider that the crop is going to be a large one, sometimes they will start selling that as far back as October. I have known sales to occur in October.

The CHAIRMAN. This year it has been pretty well assured that a large crop would exist?

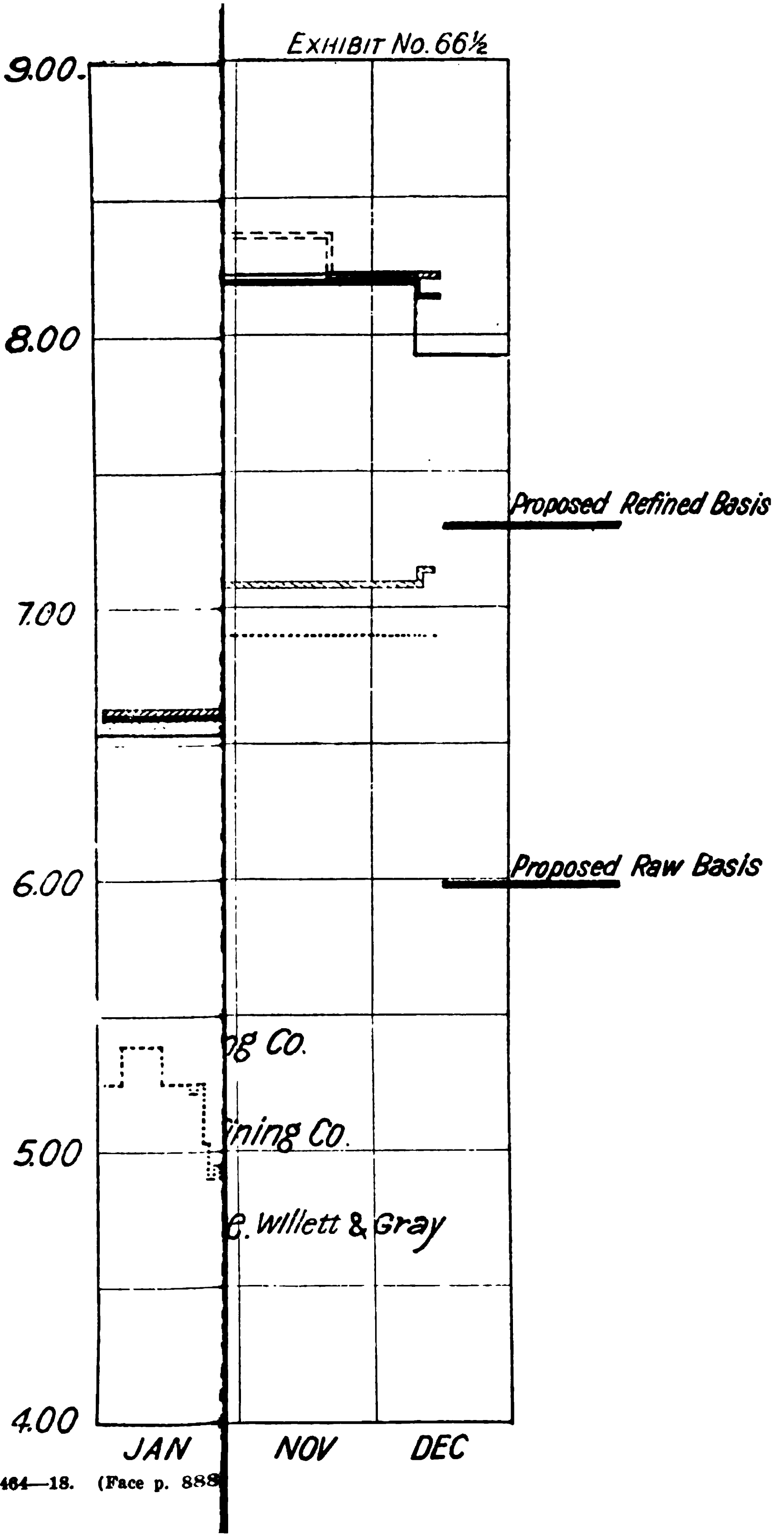
Mr. GARDINER. Undoubtedly.

The CHAIRMAN. Would that naturally bring the price of sugars down in the months of October, November, December, if there were no interfering causes?

Mr. GARDINER. It would seem so, judging from prices.

The CHAIRMAN. Is not along about the month of August and September ordinarily the time when sugars reach their apex?

EXHIBIT No. 66½



Mr. GARDINER. Pretty much, although sugar prices are very irregular.

The CHAIRMAN. Are you prepared to discuss the cause of the high price of sugar last year? Have you made a study of that and do you feel competent to discuss that?

Mr. GARDINER. I think my opinion would be practically the same as that of every one else who has discussed it here. Starting in early in the year there was the question of strikes in the refineries, which threatened the production of refined sugar, and then along came the Cuban revolution, which reduced a crop that was fully expected to be 3,400,000 tons down to 3,000,000 tons, and then again came the question of England securing tonnage to go to Java, which everybody expected she would do. Adding to that, particularly the Cuban revolution, there was undoubtedly much speculation in sugar, because when we figured up our consumption at the end of six months, it showed an increase of 228,000 tons in spite of comparatively high prices, and that just showed where some of that sugar went to. That was due undoubtedly to excessive speculation.

The CHAIRMAN. Where had that sugar gone?

Mr. GARDINER. Undoubtedly it went to some extent for hoarding. I know of several instances of people who bought considerable sugar because they thought if the Cuban revolution continued and we obtained only half a crop, there would not be any sugar apparently. That was the basis of their argument.

The CHAIRMAN. At what period was it that the shipments exceeded those of any other year by 228,000 tons?

Mr. GARDINER. That was the period from January 1 to June 30. We publish a table of consumption of the whole country, including all kinds of sugar.

The CHAIRMAN. So that you think there was actually a surplus brought in up to that time?

Mr. GARDINER. Undoubtedly.

The CHAIRMAN. That movement probably had something to do with advancing the prices then as shown on this chart, which, according to the chart, run from about 6.60 in January, probably, to 7.30 or 7.40 in the months of April and May. These figures that I quote are not marked on the chart, and I am guessing at them; 7.35 I believe is marked.

Mr. GARDINER. The prices that I have put on that chart I have marked with pencil. They are to correspond with our figures.

The CHAIRMAN. There was a sharp advance in the month of April. Was there any other reason that tended to alarm the people and to bring to them the fact that there was probably a sugar shortage, in addition to the revolution and in addition to the strikes?

Mr. GARDINER. I do not think so.

The CHAIRMAN. Was there any agitation about a sugar shortage in the country, a general agitation, a food shortage?

Mr. GARDINER. There was some talk of it; yes.

The CHAIRMAN. Do you think that had some effect?

Mr. GARDINER. Undoubtedly.

The CHAIRMAN. Could you tell us what the real cause was of the sharp advance in April, where sugar ran up to 8.33 for just a day or two, as shown on that chart?

Mr. GARDINER. That is on refined sugar that you are speaking of now. At that time there were very heavy oversales due to speculation contingent on the shortage in the sugar crop, and some refiners were completely oversold. In fact, there were six or seven weeks delay in some of them, and consequently a buyer could not obtain sugar for reasonable shipments or early shipment, and on the basis of our quotations, we had to move that up very sharply.

The CHAIRMAN. As a matter of fact, very little sugar moved at these prices?

Mr. GARDINER. Yes.

The CHAIRMAN. And it had come about because the people had gotten alarmed about the sugar situation and had bought heavily and the refiners were practically sold out?

Mr. GARDINER. That is the fact.

The CHAIRMAN. It remained only a few days at that price, did it not, and then it dropped?

Mr. GARDINER. It remained for a little while, and then one of the refiners obtained a lot of sugar, and he sold that out, and then there was a drop there down to 7.85.

The CHAIRMAN. So that while the black line, as shown on the chart, shows the American Sugar Refining Co., during the period I am speaking of, which was the latter part of April and the first part of May, was selling sugar at below 7.35, as a matter of fact, if you wanted to get sugar you had to pay 8.33?

Mr. GARDINER. For reasonably prompt shipment; yes.

The CHAIRMAN. Can you tell us any cause or causes in addition to those that you have given for the rather sharp advance that began to occur in the latter part of July and which continued until the month of August?

Mr. GARDINER. During June I may state that the sugar situation was aggravated particularly by advices that the Senate Finance Committee had decided to do away with the drawback privilege and also impose an excise tax on sugar. That caused extra buying by the United Kingdom, and consequently prices started to go up. We had the question of the competition of England in our market in connection with that.

The CHAIRMAN. Let me understand. Your idea is that England with the law as it stood, could come in here and buy sugars that had been grown in Cuba, shipped to this country, and had paid in round numbers 1 cent tariff, and then upon their being refined, England could buy those sugars back from the refiners with practically the entire 1 cent tariff discount?

Mr. GARDINER. Yes.

The CHAIRMAN. And because of the fear that the drawback would no longer be allowed, England went into the Cuban market and bought Cuban raws?

Mr. GARDINER. Yes.

The CHAIRMAN. And instead of their coming here to be refined they were taken to England and refined?

Mr. GARDINER. Yes.

The CHAIRMAN. But at the same time that England did that, is it not a fact that England's purchases of refined sugar in this country fell off so much that there was a net falling off of Cuban sugars obtained by England to the amount of about 100,000 tons?

Mr. GARDINER. That is approximately correct.

The CHAIRMAN. So that while it might have disturbed our market it did not deprive us of any sugars?

Mr. GARDINER. Not in the long run; no, sir.

The CHAIRMAN. You have your statisticians who have studied the sugar crop, and what is the report that has been made by them to you as to the sugar crop that is now being harvested?

Mr. GARDINER. We get reports early in the season, as soon as the crop is large enough or well grown enough to make some kind of an estimate of it. We send our reports to all of the sugar factories in Cuba. We get answers from a pretty good amount of those, and we base a calculation. Ordinarily, while sometimes they would indicate large crops, yet as a matter of experience you must allow something for accidents. You can not take the maximum cane in a field and figure the sugar crop on that basis. That has never been possible in my experience, and even though you might find from the report of the sugar factories that the sugar crop would indicate three million and a half tons, yet allowing for accidents, figuring such things, our estimate of the Cuban crop would be 3,200,000 tons.

The CHAIRMAN. You figure pretty conservatively then?

Mr. GARDINER. Yes, we do, and I think in the last three years we have estimated the crop almost to a ton, which I think is pretty good in a crop of 3,000,000 tons.

The CHAIRMAN. When was your estimate made?

Mr. GARDINER. In October.

The CHAIRMAN. You know of Mr. Himley's estimate?

Mr. GARDINER. I do.

The CHAIRMAN. Is he regarded as a pretty safe man?

Mr. GARDINER. He is, but in my opinion he takes the percentage of cane in the fields, and if extraordinary conditions were to occur, he would get it all off, and the yield would be up to normal, but there are a lot of contingencies in connection with it.

The CHAIRMAN. You think he is rather liberal in his estimate?

Mr. GARDINER. I do.

The CHAIRMAN. There is some other authority that makes estimates?

Mr. GARDINER. Mr. Guma. He is our own correspondent.

The CHAIRMAN. He has recently given his figures at 3,500,000 tons.

Mr. GARDINER. Yes.

The CHAIRMAN. And those would be your figures to-day?

Mr. GARDINER. No, they would not. Those are their own figures. They are an independent statistical bureau down there, but they have been agents of ours for a great many years in connection with that data.

The CHAIRMAN. So that the only difference is that you make a pretty liberal discount to take care of contingencies?

Mr. GARDINER. Exactly.

Senator KENYON. What figure did Mr. Gardiner give?

The CHAIRMAN. Three million two hundred thousand tons. If there were open market conditions and with the fact in mind that the tonnage to Cuba is in command of the English and the Americans, substantially all of it, with the further fact in mind that you may assume that England and America, instead of going in and competing against each other in that market, would agree on a division,

the proportion to go to Great Britain and her allies and the proportion to go to this country, and as I say, otherwise there were open market conditions, what would you say the coming Cuban sugar crop would bring?

Mr. GARDINER. Of course we have to go by past performances in the sugar market. During the early part of the crop at times Cuba makes sometimes as much as six or seven hundred thousand tons of sugar in a month and it is almost impossible for those people to handle it, so that necessarily they have to bring that sugar to the market. That usually brings a depression in the price in the early part of the year. Later as the crop begins to decline, and they have more money, they become more independent and are not so anxious to sell.

The CHAIRMAN. Do you think, taking the year as a whole, that there would have been any extraodinary high price?

Mr. GARDINER. I do not think so, no.

The CHAIRMAN. You do not think we would have had 15 cents or 20 cents or 30 cents sugar?

Mr. GARDINER. No; I do not. I might give you an incident. Along about 1896, 1897, or 1898, we did not have a Cuban crop at all. They lost 1,000,000 tons of sugar there, and we had to chase all over the world to get sugars, on account of the revolution that occurred in Cuba at that time. Our consumption was annually close to 2,000,000 tons. We lost half of our available supply, and yet we managed to get along without any extraordinarily high prices. In fact, the prices then were not as high as they were last year. I have always had a great deal of admiration for the sugar trade in general. They have the greatest facilities for getting around the world and getting sugars from places when the usual source of supply is off. It happens this year that everyone in the whole world, the United States, the allies, everybody, went to the place where it was most convenient to get it, right in this one little spot, and everybody wanted the same thing on the same place at the same time, and that is the explanation of it—instead of some of them making extraordinary efforts to get some from far away. They saw these things early in the year.

Senator JONES. When you say that you think the price of sugar would not have been high, you base that on the assumption that they would have gone to these other countries and gotten the sugar.

Mr. GARDINER. That is part of it, yes.

Senator JONES. Suppose they did not have the transports to do that?

Mr. GARDINER. Then that brings up the question of tonnage, and it upsets the argument, so far as the question of tonnage is concerned. but as early in the year as they were commencing to notice this thing, they could have made some arrangement at that time. In fact, I would like to read a statement issued by the Food Administration which showed that absolutely everybody was unanimous in the opinion that there was sufficient sugar and that it was merely a question of transportation. This is a notice that was issued by the United States Food Administration.

Senator JONES. We all know that there was plenty of sugar in the world.

Senator VARDAMAN. When was that issued?

Mr. GARDINER. On the 1st of September. This will give you a line on their opinion. In this they say that the study of the sugar situation shows that it is not actually the lack of sugar that emphasizes the need for conservation in the United States, so much as inability to get sugar at the places where it is needed. There was plenty of sugar; it was a question of tonnage, and if proper attention had been paid to the tonnage end rather than the other, it would have alleviated a lot of things.

Senator JONES. Assuming that owing to the exigencies of the war it was not practicable to go to Java and the far-away countries to get sugar, and this effort should be made on the part of the different countries to obtain the available near-by supply, what would have been the effect on prices?

Mr. GARDINER. You see the effect on prices this year, that they went up because everybody went to the one near-by convenient source of supply.

Senator JONES. And if they decided they could not spare tonnage to bring in these far-away sugars, your statement made a while ago would not apply at all?

Mr. GARDINER. No, sir.

Senator JONES. As to the reasonableness of prices.

Mr. GARDINER. No; that qualifies it.

The CHAIRMAN. But substantially all of the tonnage to reach Cuba and carry away the Cuban sugars was in the hands of the allies and this country?

Mr. GARDINER. Yes.

The CHAIRMAN. So that the Cuban merchant to get his sugar to market had to get boats from these two countries?

Mr. GARDINER. Yes.

The CHAIRMAN. And if these two countries agreed upon a division of the s gar that should go to each, the United States on one part and the alles on the other, and declined to go into the market and cut each other's throats, there would not have been any trouble at all about the price of sugar, would there?

Mr. GARDINER. It would not seem so; no, providing the crop's outturn is as indicated.

Senator JONES. But suppose these allied countries in addition to coming to an agreement between themselves as to a division of the sugars they might get had also wanted to prevent the sugar from going to neutral countries, so that they could get practically all of it, and considering that Cuba wanted to favor the allied countries, would it not have been necessary to agree with Cuba on a price for that sugar in order to control the output and its division between the allied countries?

Mr. GARDINER. I believe that some control was necessary, because practically the whole world was under food control. There was no reason why the United States should have been outside of that pale, so to speak. In fact, it became absolutely essential for the whole of Europe—in fact, there is no country that I know of that is not under food control, so to make the things all equal and get into negotiation with different governments and arrange things normally, it seems to me that some food control was necessary.

Senator JONES. And I will ask you a little further, if our allies should agree with us as to the quantity of Cuban sugar coming to

the United States and to the allied countries, whether it would not be necessary to have some means by which that sugar could be divided among our refiners so that there would not be a scramble as between the refiners here to get the sugar which might be allotted to the United States. Do you think something of that sort was necessary?

Mr. GARDINER. Not so much so during the early part of the year, because, as I have said before, Cuba can make an awful lot of sugar in a month. You take an island like that, and sometimes it has been as high as 600,000 tons a month that Cuba has made. That runs along through March, April, and May, and nearly 2,000,000 tons of sugar can be produced in a few months. The Cubans want to get rid of that because they can not take care of it, there is no place to store it, and the result is that there is plenty of sugar for everybody in the early part of the year, even the United Kingdom. For instance, I would like to show you on that chart in December of 1916 that the English Government bought 200,000 tons of Cuban sugars in the early part of December, of the next crop. In spite of their having those 200,000 tons of sugar, when that Cuban crop came to market there was a decline in the Cuban market. That was a big sale, 200,000 tons of sugar.

Senator JONES. But if it were known, for instance, that the United States would get of the Cuban sugar crop only a million tons and there was no machinery for allocating that as between the refiners, and these refiners were given an opportunity to bid up on each other and get those millions tons, what effect would that have on the sugar market in the United States?

Mr. GARDINER. Under those conditions there would naturally be an advance, but if you figure on a crop of 3,200,000 tons, and a large part of that is made in a few months, then you have more sugar than all of the competition of Europe and all of the rest of them combined could stand; and usually it is the latter part of the year when the Cuban crop is commencing to be exhausted, and in consequence of having money from having sold early sugar it needs control; otherwise some refiner might make a pool with somebody else and buy up all of the available sugar.

Senator JONES. Do you not imagine that this International Committee has already tentatively agreed as to how much of the 3,200,000 tons of sugar shall go to the United States and how much shall go to Great Britain?

Mr. GARDINER. Yes.

Senator JONES. Then that amount is known?

Mr. GARDINER. Yes.

Senator JONES. If our refineries are free to bid against each other for that quantity of sugar which is known to be allotted to the United States, would not that create a scramble among them, each one trying to get a quantity which would run his refinery for the full year and give him control of an unusual proportion of that, and would not that tend to put up the price?

Mr. GARDINER. That would tend to put up the price, but you see they do not make any scramble when fully 2,000,000 tons are to be allotted to the United States refineries. Our refineries are not going to start in at the beginning of the crop and buy those 2,000,000 tons.

The CHAIRMAN. If they did scramble it up too high, they would scramble themselves into some difficulty in competing with the fellow who had bought at a lower price.

Mr. GARDINER. To some extent.

Senator JONES. You do not anticipate an actual surplus of sugar, do you?

Mr. GARDINER. I do, yes; with all of the world cutting down its consumption. France has recently cut down to one pound, and England is talking of it, and we will have a restricted consumption here. In fact, I think it will come normally, because last year, as I said, owing to reports of shortage of the Cuba crop, and if you would believe the newspaper reports from Cuba, it looked as though it would be all destroyed, they bought two or three hundred thousand tons more than they needed. With a big supply in view, there will not be any incentive to buy, unless something occurs that would affect the Cuban crop.

Senator JONES. The reason there is going to be a surplus in sugar, you say, is because of the reduction in consumption?

Mr. GARDINER. Not only that, but an increase in the supply, so far as the United States and the allies are concerned.

Senator JONES. There is some increase in the supply, of course, but is that commensurate with the saving or the reduction in consumption?

Mr. GARDINER. I think it is fully that; yes.

Senator JONES. Then you think there is no necessity for cutting down consumption?

Mr. GARDINER. I do not. I think it will take care of itself.

Senator JONES. You think that England and France could remove any control of consumption—any restriction which they have placed on consumption?

Mr. GARDINER. I do not know as far as they are concerned. I was talking merely of the United States. In fact, I do not think there is any idea of reducing it, judging from the reports of Mr. Hoover, who says that he is going to make it 36 pounds per capita per annum for home use. That is not a decrease in my opinion.

Senator JONES. What is your opinion as to the consumption of sugar in this country per capita?

Mr. GARDINER. Our figures show around 80 pounds; taking it all in. It has always been a question, and I have made a study of it myself, trying to find out something definite about it. I have tried to get it from the refiners and from the people in the trade, and have tried to find out how much sugar is used in home consumption—that is, on the table—and how much for manufacturing purposes, and the best opinion that I could obtain from them, either public or otherwise—and it has been testified to in various ways, in hearings in Congress, such as the Hardwick hearing—three-eighths of the consumption of sugar is used in the home and the balance of it for manufacturing purposes. There are no actual statistics. I know that Mr. Rolph had something of the same kind in his testimony.

The CHAIRMAN. I do not want to interrupt the thread of your examination, but why is it not possible for you gentlemen to collect these Cuban sugars and to take the figures from these great refineries, and tell what part of the output goes to manufacturing establishments and what proportion to the household.

Mr. GARDINER. Mr. Chairman, these refineries are so jealous of one another that they would hardly tell you anything like that. They would not let you know how much they sell to a manufacturing establishment because the other refiner might get track of that and try to get that trade. They have been more or less antagonistic for many years, and it has kept the sugar business interesting.

Senator JONES. I would just like to ask you if you estimate that as three-eighths——

Mr. GARDINER. Pardon me, but that is not my opinion. It is only a conclusion from data obtained from various refiners, which they testified to before various congressional committees, and also it is in testimony in the dissolution case of the American Sugar Refining Co. There was a good deal of expert testimony given there, and it seems to me that is the best basis of information that we have.

Senator JONES. That would be only 30 pounds per capita per annum.

Mr. GARDINER. Yes; about that.

Senator JONES. Then this restriction to 3 pounds a month would be an increase rather than a decrease?

Mr. GARDINER. If anything.

Senator JONES. So far as the American production is concerned.

Mr. GARDINER. If anything, that is ample consumption.

The CHAIRMAN. If that is true, our Food Administration needs some education. I think, to be fair about it, that when they talked about 3 pounds per capita per month and 6 pounds or 7 pounds per capita per month, they are considering the entire consumption, which includes the manufacture; and when they speak of reducing that to 3 pounds a month they meant to reduce the manufacturing output.

Mr. GARDINER. I do not know what their idea is.

Senator LODGE. No. Mr. Hoover testified that the best figures they could get were about 50 to 55 pounds per capita per month for domestic consumption.

The CHAIRMAN. That is right. I stand corrected.

Senator LODGE. The per capita which we have from the Bureau of Statistics is the whole amount of sugar consumed.

Mr. GARDINER. Yes.

Senator LODGE. It includes manufactures and everything.

Mr. GARDINER. Yes.

Senator LODGE. That makes it about 80 pounds?

Mr. GARDINER. Yes; but Mr. Rolph afterwards corrected Mr. Hoover's testimony, in respect to which I say, about three-eighths per cent.

Senator LODGE. Yes; but they estimate the domestic consumption was per capita 50 to 55 pounds.

Mr. GARDINER. I say three-eighths.

Senator LODGE. That is three-eighths of the total?

Mr. GARDINER. Yes; and three-eighths of the total per capita is 30 to 35 pounds, depending upon the total per capita. If the per capita is 80 pounds, it will be 30 pounds exactly.

Senator LODGE. That is for domestic consumption?

Mr. GARDINER. Yes.

The CHAIRMAN. Do you know, as a matter of fact, that the candy manufacturers and the consumers of sugar for manufacturing purposes have really cut down their output?

Mr. GARDINER. That I do not know.

The CHAIRMAN. During the past year?

Mr. GARDINER. That I do not know.

The CHAIRMAN. That is all we desire, Mr. Gardiner. We thank you very much.

TESTIMONY OF EBERHARD L. LUEDER.

(The witness was sworn by the chairman.)

The CHAIRMAN. What is your name, please?

Mr. LUEDER. Eberhard L. Lueder.

The CHAIRMAN. You place of residence?

Mr. LUEDER. Little Silver, N. J.

The CHAIRMAN. What is your occupation.

Mr. LUEDER. Importer, commission merchant, and broker in sugar.

The CHAIRMAN. With what firm are you connected?

Mr. LUEDER. Minford, Lueder & Co.

The CHAIRMAN. Is it a large concern?

Mr. LUEDER. Fairly so.

The CHAIRMAN. How long has your firm been engaged in the sugar business?

Mr. LUEDER. About 45 years.

The CHAIRMAN. How long have you personally been engaged in the sugar business?

Mr. LUEDER. Twenty years.

The CHAIRMAN. Did that lead you to study conditions in the sugar trade, and sugar markets, and the question of sugar production, and sugar prices?

Mr. LUEDER. Yes, sir. I have been engaged in that during that period almost exclusively.

The CHAIRMAN. What proportion of your business is export?

Mr. LUEDER. Export of refined?

The CHAIRMAN. Yes.

Mr. LUEDER. Very little.

The CHAIRMAN. Do you buy raw sugars?

Mr. LUEDER. Yes, sir; at times.

The CHAIRMAN. For yourselves, or do you act as brokers?

Mr. LEUDER. We act in both capacities. We buy in our own name for account of clients, at times; we sell on commission, and in turn again we sell refined sugar as brokers through the country.

The CHAIRMAN. Have you ever visited Cuba?

Mr. LEUDER. Never.

The CHAIRMAN. Do you handle the sugars of Cuba?

Mr. LEUDER. Yes, sir.

The CHAIRMAN. What other sugars do you handle?

Mr. LEUDER. We handle Perus, Brazils, Philippines, Santo Domingos, and at the period when Javas came to this country we probably handled—well, there were only two in the business, practically, Czarnikow Rionda and ourselves. We handled commonly from two to three hundred thousand tons.

The CHAIRMAN. Of the Java sugars, when they came to this country?

Mr. LEUDER. Yes, sir. At that time I want to state that the members of our present firm were conducting separate businesses—Leuder & Co. and Minford & Co. We combined two years ago.

The CHAIRMAN. What was the occasion of the rather high prices of sugar that prevailed during the sugar year just closing—the calendar year, too, I will say?

Mr. LEUDER. I should say there were various influences at work. There has been testimony given here by one or two witnesses as to practically the developments of the sugar market as they happened during 1917, and in a large measure I indorse that testimony.

The CHAIRMAN. Just give us your own view about the matter.

Mr. LEUDER. About the beginning of the year the sugar market started with a declining tendency, owing to the prospective Cuban supply, which afterwards reversed into an advancing tendency, owing to the political disturbances in Cuba.

The CHAIRMAN. That occurred along in the month of February or January?

Mr. LEUDER. That occurred early in the year, February and March. After that there was an easing off, and following that another advancing tendency set in, owing to the large purchases for domestic as well as export purposes.

The CHAIRMAN. That was in the month of April; there was a sharp rise there, I observe.

Mr. LEUDER. It was due to the domestic demand, I think, supported by buying for export, for neutral countries as well as Great Britain.

The CHAIRMAN. Referring to this domestic demand, I will ask you whether or not there began to be sent through this country, by means of the public press and otherwise, reports that there was going to be or liable to be a considerable sugar shortage?

Mr. LEUDER. Yes, sir; there were press reports, which of course influenced the grocers, jobbers, and whoever bought sugar.

The CHAIRMAN. Let me trace that a little bit and see if I am correct about it. When the revolution or disturbance occurred in Cuba, and some strikes came in the refineries——

Mr. LEUDER. The strikes came first.

The CHAIRMAN. The strikes came first—very well. These two causes led to a discussion in the newspapers of a possible or probable sugar shortage; did they not?

Mr. LEUDER. Yes, sir.

The CHAIRMAN. Now, it takes a certain time for that to react on the public, does it not? The public would begin buying, and it would take some time for that to get around so that it would affect the market? Would not that be true?

Mr. LEUDER. Yes: it takes some time. It usually takes an advance to get the public to buy. By that I mean an initial advance.

The CHAIRMAN. So you think those causes had some considerable influence in raising the price of sugar during the early part of the year?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. What other causes intervened, in your judgment, to make the prices run up and keep pretty high? Well, they went down from April in the months of May and June, when they were down below $6. What caused that?

Mr. LUEDER. That was just the aftermath, practically, of the advance established during April. I think the majority of people overbought.

The CHAIRMAN. Now, there came a sharp advance in the price of Cuban raws in July and August. What caused that?

Mr. LUEDER. The advance at that time was caused—well, if you will go right through from July to the end of the year, say to the 1st of November, there were contributing influences. The possibility of control naturally affected the situation.

The CHAIRMAN. In what way—to send prices up or send them down?

Mr. LUEDER. It affected it to send them up.

The CHAIRMAN. You say "the possibility of control." Let us trace that. Is it not a fact that it was well understood in this country that we were to have food control very early in May, and that Mr. Hoover was brought to this country for the purpose of taking that position?

Mr. LUEDER. Yes, sir; but it took some time to make its effect felt with the distributors, importers, and so on—the people engaged in the handling of sugar. The July advance there was probably in a measure due to ordinary conditions, large buying, and for both export and domestic purposes again later on. Neutral countries and everybody bought. It was partly, also, in connection with the Government position.

The CHAIRMAN. When you say "partly in connection with the Government position," you mean to say partly because of the impending control?

Mr. LUEDER. I think it was partly due to the control and the export, the natural causes, buying by allies and neutrals, and domestic buying.

The CHAIRMAN. Were there refined sugars being shipped out of this country in large quantities to neutrals after the month of June?

Mr. LUEDER. Yes, sir; I believe so.

The CHAIRMAN. Have you any figures on that?

Mr. LUEDER. No; I have not.

The CHAIRMAN. Who has those figures?

Mr. GARDINER. I think I could give them to you, Senator.

The CHAIRMAN. Well, we will proceed with this witness, but I will ask you to have those figures. After the months of July and August, the sharpest advance being in August, the prices fell back in September, October, and November. Now, what caused that?

Mr. LUEDER. The question of control became more definite. The result was that refiners stopped negotiating for sugar. The future was very dark and uncertain to them, as to what they might do. This, of course, reflected on the sugar merchants, the importers, and that, in turn, reflected on the shippers. In other words, at that time the ordinary machinery which has been engaged in bringing sugar to this country started to stop.

The CHAIRMAN. At the time the prices for Cuban raws went down, it appears that the prices for refined sugar in this country (I am speaking now of the months of October and November) stayed up to above $8—$8.183.

Mr. LUEDER. I suppose that was owing to the fact that the sugars melted during that period were from raws, because some part of the sugars bought in July did not arrive here until August.

The CHAIRMAN. So that the benefit of the fact that Cuban raws dropped in October and November apparently did not get to the sugar consumer of the United States?

Mr. LUEDER. Not at all.

The CHAIRMAN. Those same prices seem to have prevailed into December.

Mr. LUEDER. Yes, sir.

The CHAIRMAN. And that brings us up to the period of the new crop being already on, does it not?

Mr. LUEDER. Yes, sir. We had a margin of 220 and some odd points between raw sugar and refined. The refined price prevailed practically up to within the new year; in fact, into the new year. I think it was changed during my absence.

The CHAIRMAN. So that while the combination among the sugar refiners effected through the food control resulted in bringing the price of Cuban raws down to approximately——

Mr. LUEDER. It was down to $6.90 a long time, and then eventually was reduced to $6.70, and then to $5.90, and back to $6.

The CHAIRMAN. Continuing my question, while the Cuban market was restricted by virtue of this combination and the prices of Cuban sugar forced down to some extent below where they had been in August, the consumer in this country got no benefit from it because refined sugar still stayed up?

Mr. LUEDER. At the top level.

The CHAIRMAN. At the top level and never went down at all?

Mr. LUEDER. No, sir. Now, that is so far as the eastern territory is concerned.

The CHAIRMAN. And that is the territory from which you collect the statistics?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. And you do not speak now for the rest of the country and do not know what happened there?

Mr. LUEDER. I am not acquainted with that section.

The CHAIRMAN. I want to get this definite. So that, no matter whether there was a forcing down of the price of Cuban raws or not during the months of September and October and November and December, that benefit never reached the consuming public?

Mr. LUEDER. No, sir.

The CHAIRMAN. So that if there has been thirty or forty or fifty or one hundred or two hundred million dollars or any other fabulous or mythical sum saved to the American consumer, it has not yet occurred?

Mr. LUEDER. Not in the eastern territory.

The CHAIRMAN. Well, you have not heard of any remarkably cheap sugar out West, have you?

Mr. LUEDER. I am not sufficiently acquainted with that territory. I do not know.

The CHAIRMAN. Very well.

Senator JONES. What you mean, Mr. Lueder, is that when the refiners buy raw sugar at a high price, they hold up the price of the refined sugar until they can get rid of the amount which they purchased at the high price?

Mr. LUEDER. Sometimes. Of course they sometimes anticipate the purchase of raws by sales of refined, and the reverse also. In case

there has been no competition—the last two months of the year there was no competition; the price was fixed at that figure, and there was not a question of anybody not selling at that—they simply continued to sell at that. It was not an open market. There were sales made at $5.90 at the same time refined sugar sold at $8.35, a difference of over 225 points.

The CHAIRMAN. Who got the benefit of that?

Mr. LUEDER. I can not say, Senator. I do not know that anybody got any particular benefit of it. I think it was adjusted, but that is beyond my knowledge. I do not know. All I do know is that simultaneously sugars were bought at $5.90 and refined sold at $8.35.

Senator JONES. That is the general tendency of the trade, is it not, even on the open market?

Mr. LUEDER. It would not be that wide.

Senator JONES. Not that wide?

Mr. LUEDER. It would not be that wide.

Senator JONES. But that is the tendency of the trade, whenever they buy it at the high price, to hold up the price as long as they can?

Mr. LUEDER. That would depend on the competition between refiners. I do not think such a situation would prevail in an open market. To my mind it would be an impossibility.

Senator JONES. To the extent to which this prevailed, you mean?

Mr. LUEDER. The average margin price for a previous year would give you a fair idea as to what margin existed. If you take the average margin, it would show for the year fairly well, and would not reach any such figures.

Senator JONES. But when they buy the raw sugars at a low price, and the price of the refined goes up, they do not sell at the low price, do they?

Mr. LUEDER. Well, those are market conditions, Senator Jones, which it is difficult to trace. In one instance it works in favor of the refiner, and in another instance against him. It is just a question of how smart he is to buy his raw sugar at the right time. The refined market to a large extent is governed by raws, and in turn again, I mean to say, the public——

Senator JONES. But the tendency is, when bought at a high price, to sell at the high price as long as they can?

Mr. LUEDER. Certainly.

Senator JONES. And when they buy at a low price, the tendency is to get a high price as soon as they can?

Mr. LUEDER. Well, I would not say that altogether. It is a normal tendency, but with some refiners the tendency would be to supply their trade and do the business. I think the chief interest of a refiner in New York City is to keep his plant running full as much as securing a large margin, because it is through running the plant at full capacity that he makes his money.

Senator JONES. If the refiner bought his raws at a low price, and the market for the refined product had gone up in the open market, would he not be justified in selling at the open-market price?

Mr. LUEDER. Yes, sir; he would, probably.

Senator JONES. And that would be his natural tendency, would it not?

Mr. LUEDER. Of course it would, and of course that would raise the market on his next purchases of raws. No refiner buys a year's supply.

The CHAIRMAN. Of course we all know that the tendency of the refiner is to make as much money as he reasonably can, which means that he will buy his sugar as cheaply as he can and sell it as high as he can, does it not?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. But in finding how he is going to act and how far he can carry that, do we not have to take into consideration also the fact that the man from whom he buys his raw sugar is going to sell it as high as he can, so that there are two opposing forces working there?

Mr. LUEDER. Absolutely, because the raw market is governed by the demand for refined as regards asking prices.

The CHAIRMAN. And then when the refiner comes to sell his sugar and is seeking the highest possible market that he can, is he not confronted by the condition that everybody to whom he sells is seeking the lowest market he can find?

Mr. LUEDER. Yes.

The CHAIRMAN. So that if he puts his sugar too high his competitor will sell?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. So that after all it you will just let the old law of supply and demand work, it has a tendency to equalize things?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. And if you do not let it work, you pretty nearly have got to come to the socialistic theory of regulating everything, have you not?

Mr. LUEDER. In a large way.

Senator JONES. What period was that when the differential there was 220 points?

Mr. LUEDER. I will have to look it up. I think it appears on the map.

The CHAIRMAN. Here is a map. I think we have got one honest line on it now.

Mr. LUEDER. I have a letter here, written at that time, in connection with it, so that I have the date. It was in November some time.

Senator JONES. In November?

Mr. LUEDER. Yes, sir.

Senator JONES. Does that appear that way on the map?

The CHAIRMAN. I think it does, Senator Jones.

Senator LODGE. On the true map?

The CHAIRMAN. That is the raws; and drawing that line across there it is $6.86.

Mr. LUEDER. I think it was probably early in December, wherever it appears there. I think it was early in December. I would say December; not November. I have a long letter here on the subject. It is December.

The CHAIRMAN. That is 132 in December.

Mr. LUEDER. Yes, sir; December. It was the other letter I was referring to.

Senator JONES. I do not think this honest map shows that.

Senator LODGE. That is all imaginary.

Senator VARDAMAN. Are there honest maps and dishonest maps?

Senator JONES. Senator Lodge suggested it a while ago. I assume that.

Senator LODGE. I had understood that this was corrected by the true map.

The CHAIRMAN. Here is 156 shown on the map, and of course——

Senator JONES. How do you arrive at 220?

The CHAIRMAN. I will tell you how we arrive at it.

Mr. LUEDER. It is in December.

The CHAIRMAN. While this map is brought in here and shows these prices for raws, the lowest point that it shows in the months of October and November and December is, as near as we can measure it by the eye——

Mr. LUEDER. This map does not show the drop in raws which occurred at that period here, down there.

Senator JONES. Well, it was $6.90——

Mr. LUEDER. $6.90 up to that period, and after that it ran for two weeks on the basis of 225 points.

Senator JONES. Oh. That is when you figured on the new price on raws?

Mr. LUEDER. Yes; that is when this map stopped.

Senator JONES. I see.

The CHAIRMAN. The new price.

Senator JONES. Yes.

Mr. LUEDER. Yes; I am figuring on the new price of raws.

Senator JONES. Do you mean to say that the refiners, after they began getting the raw sugar at the new price, continued the old price for their product?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. They did it under the food control, did they not?

Senator LODGE. They took the fixed price.

The CHAIRMAN. They did it under the food control?

Mr. LUEDER. Well, everything has been under the food control during that period.

The CHAIRMAN. Mr. Gardiner, I only asked you to put on this map the line showing the refined prices. I am going to ask you now if you will not check up this line so as to show the price of raws.

Mr. GARDINER. That is exactly according to our quotations, as near as your eye can judge by that chart what the dates are.

The CHAIRMAN. That is according to the quotations?

Mr. GARDINER. Yes. In fact, I have a proof of our——

The CHAIRMAN. Where does this 5.90 Cuban sugar come in?

Mr. GARDINER. Down below there.

The CHAIRMAN. It is not shown on this map?

Mr. GARDINER. No; that is as far as they went on the chart. That is all I fixed up—the refined.

The CHAIRMAN. But this chart covers only November and December.

Mr. GARDINER. Yes; a part of December.

Mr. LUEDER. Part of December.

Mr. GARDINER. The new price did not become effective until after the 15th of December.

The CHAIRMAN. That was what price?

Mr. GARDINER. That was the $5.90 cost and freight price; the 5.90 price, rather, and——

The CHAIRMAN. Which was fixed on the old Cuban crop?

Mr. GARDINER. No; on the new Cuban crop.

Mr. LUEDER. And on some of the old Cuban sugar, too.

The CHAIRMAN. Now, the cane sugar price has been fixed at $4.60?

Mr. GARDINER. $4.60 f. o. b., and there is freight to be added, 38½ cents, which makes $4.98½, cost and freight.

The CHAIRMAN. So there was a fixing of the price for the new Cuban crop?

Mr. GARDINER. Yes.

The CHAIRMAN. Of what, $5.90?

Mr. GARDINER. It is really $4.60 f. o. b. The freight was originally fixed at 30 cents, but when they had the committee of freight people that carried the West Indian sugars agree on a freight rate, they adjusted that to a rate, and the prics are based on $4.98½, cost and freight, or 6 cents, duty paid; and if you will put a line on the 6-cent mark there you will see the present basis of value.

The CHAIRMAN. Very well. Now, where did the refined prices stay from December 15 on?

Mr. GARDINER. There is the mark up there.

The CHAIRMAN. So that this proposed new raw basis is shown by this heavy short line?

Mr. GARDINER. Yes; that is the idea exactly.

The CHAIRMAN. And that is $5.90?

Mr. GARDINER. Well, it is really $5.98½, or 6 cents in round figures.

The CHAIRMAN. Very well. And then the price to which the refined sugars went at wholesale was $7.98?

Mr. GARDINER. Yes; although next week the prices were adjusted to the new basis of $7.45 less 2. At least, that was my understanding. I have not been to New York and heard it.

The CHAIRMAN. You do not know whether that is true or not?

Mr. GARDINER. I feel very sure it has been, because it was announced.

Senator JONES. Did any of this new-crop sugar actually get on to the market in December?

Mr. LUEDER. Yes, sir.

Senator JONES. How much of it?

Mr. LUEDER. I could not tell you how much, but I think there were fully 25,000 bags of Porto Ricos—I myself sold about 1,000 tons of Perus on that basis, old-crop sugar, and some——

Senator JONES. But I am speaking of Cubas.

Mr. LUEDER. I mean to say all sugars were based on the Cuba price.

Senator LODGE. All cane sugars rest on that?

Senator JONES. Yes; that is what I am trying to get at—whether the sugar was actually in New York.

Mr. LUEDER. Yes, sir. That is the only way they would buy them—arrived in New York.

Senator JONES. Whom?

Mr. LUEDER. The international committee.

Senator JONES. But I am speaking of the refined granulated sugar.

The CHAIRMAN. Did that get on the market?

Senator JONES. Did any of that sugar get on the market?

The CHAIRMAN. Made from the new crop?

Mr. LUEDER. I am not able to say definitely.

The CHAIRMAN. You have discussed now the question of the causes that made the prices rise during the year. What is the fact with reference to the way Cuban sugars now have to reach the world's markets? Are they dependent for their bottoms practically altogether upon America and the allies?

Mr. LUEDER. Yes, sir; they are, through the Shipping Board.

The CHAIRMAN. If America and the allies were to have agreed upon the proportion of sugar that was to be allotted to each, so that there would not have been a contest as to that sugar, and the American sugar had then been allowed to be purchased by the American refiners in the ordinary way, and the whole American sugar situation left without any further control except that the Government had declared an embargo upon shipments of sugar abroad from this country, what would have been the effect on prices for next year?

Mr. LUEDER. Basing it on the 10 years' experience prior to this one, my opinion is that the market would have taken a natural downward tendency, because of the prospective supplies available for this country.

The CHAIRMAN. What do you say about that supply, as to whether it would be sufficient or insufficient?

Mr. LUEDER. I would consider it sufficient, in view of the prospective restrictions and conservation plans for consumption.

The CHAIRMAN. What do you mean by that?

Mr. LUEDER. Well, the general tendency—I think this country is bound to economize on sugar. They have learned it. They will soon get got accustomed to it, and the restrictions as ordered through the Food Administration.

The CHAIRMAN. Which do you think is the most important, to cut down the use of sugars in making candies and fancy drinks and things of that sort, or to cut down in the families, on the table of the people?

Mr. LUEDER. I think to cut down candies and fancy drinks.

The CHAIRMAN. Is it or is it not a fact that the candy manufacturers have been notified that they can go up from 50 per cent of sugar to 80 per cent, and in a short time it is expected that they will be allowed a full 100 per cent?

Mr. LUEDER. Yes, sir—well, that applies to all manufacturers.

The CHAIRMAN. That applies to all manufacturers?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. Of every kind?

Mr. LUEDER. Who have big plants.

The CHAIRMAN. Coexistent with that state of affairs, in which the factories are being assured that they can have 100 per cent of sugar in a little while, have there been any orders or statements made to the effect that the people are to be required to cut down their sugar consumption?

Mr. LUEDER. Yes, sir. Originally an announcement came out in the papers which, however, appears to have been misquoted, from later developments. The original announcement said that the consumption of sugar was to be cut down to 3 pounds per capita per month per person.

Senator JONES. Do you think that would cut it down any? You have heard what has been testified to here.

Mr. LUEDER. That would—3 pounds per capita per month.

Senator JONES. For domestic consumption?

Mr. LUEDER. Yes, if it were per capita. You see, the announcement came out that way in the papers, and New York reported it as that. Since then—in my mind it is somewhat uncertain—afterwards certain papers reported that it was to be 3 pounds per person per month, which, of course, is not a per capita consumption.

Senator JONES. Why is it not?

Mr. LUEDER. Because it only refers to the household requirements.

The CHAIRMAN. What is the difference between 3 pounds to a person and 3 pounds per capita?

Mr. LUEDER. Three pounds per capita is figured on all the sugar that goes into consumption in the country. If you say 3 pounds per person in the household per month, that excludes the manufacturing sugars entirely.

Senator JONES. You understand that this 3 pounds is the domestic consumption—I mean the household consumption?

Mr. LUEDER. Yes, that makes a big difference.

Senator JONES. How much do you understand that the household consumption was before this order?

Mr. LUEDER. I do not know. I heard Mr. Gardiner testify.

Senator JONES. Then you do not know whether that is a cutting down of consumption at all or not?

Mr. LUEDER. No. I heard Mr. Gardiner testify it would not be a cutting down if it were 3 pounds per person per month, but those are disputed figures.

The CHAIRMAN. Well, if nobody knows what the consumption is, then to say that you are going to cut the consumption down to 3 pounds means nothing, because you do not know whether that is cutting it down or cutting it up?

Mr. LUEDER. Apparently.

The CHAIRMAN. You have the choice, then, either between saying that it does mean a cut down, or else saying that something idiotic has been proposed. That is about where we come out, is it not?

Mr. LUEDER. Well, the proportion of figures is fairly close. They have been estimated for years.

The CHAIRMAN. We assume, therefore, that it means a cut downward that is intended. Now, you say you saw these first statements in the New York papers, and since then there has been some correction. Do you know what document corrected it?

Mr. LUEDER. No.

The CHAIRMAN. I will ask you, Judge Lamb, if you know what the actual order or proposition was in the food control. Have you the circular here?

Mr. LAMB. I think it is in one of those packages.

The CHAIRMAN. Let us get what that is. I should like to settle that question. It would be in this "daily press," would it not?

Mr. LAMB. No; I think it would be in the little package there.

Senator JONES. While he is looking for that, I will ask you if your business has been interferred with to any extent by what has been done by the International Sugar Commission and the food control?

Mr. LUEDER. Why, yes, sir. Our hands have been to a large measure tied. I mean, the machinery usually employed for attracting sugar to this market in an open and free market has been made

unuseful to a certain extent as it stood during the months of November and December.

Senator JONES. In other words, the sugar importer and exporter have practically gone out of business?

Mr. LUEDER. Well, not necessarily. You see, we have the other line, too. We are not limited to sugar. We have coffee.

Senator JONES. No; but I mean so far as sugar is concerned.

Mr. LUEDER. The business has been affected, I suppose, like every other; the refiner's business has been affected. In fact, everybody's business in sugar has been affected.

Senator JONES. I am just asking you about your business.

Mr. LUEDER. Yes, sir; it has been affected.

Senator JONES. Quite materially, has it not?

Mr. LUEDER. I do not think so.

Senator JONES. Are you making about the same profit now in importing and exporting sugar that you were before?

Mr. LUEDER. No, sir; we do not usually do it at the end of the year.

Senator JONES. Do you anticipate the same profit under this system that you made in the past?

Mr. LUEDER. I do not think so.

Senator JONES. I do not, either, and that is why I was asking you. What are your business estimates as to the situation? Do you expect to engage in the import and export of raw sugars under this system?

Mr. LUEDER. No, sir; we do not, except in a moderate way, as we have done.

The CHAIRMAN. If everybody's mouth was to be closed in the sugar business because he had some possible interest in it, that would close the mouth of everybody who has been handling sugar, would it not? Because they have all been interfered with to some extent?

Mr. LUEDER. They all have to my knowledge; there is not a sugar house that has not been affected.

The CHAIRMAN. And if interest is to condemn every witness who comes here, then we might apply that rule to Mr. Hoover and his employees, for they have some interest likewise in sustaining their rulings. It seems to me that is true.

(At this point Mr. Lamb produced a paper and handed it to the chairman.)

The CHAIRMAN. This must have come out about the 10th or 12th of December—at least, before the 13th day of December. Was it this?

Mr. LAMB. Daily press.

Mr. LUEDER. My recollection was that it was changed very soon after. It appeared in the papers one day, and then was changed. The exact nature of the change I do not know, but there was a wide difference between per capita and per person.

The CHAIRMAN. I heard Mr. Hoover testify here, and with all due respect I am unable to say with accuracy now which position he took, but I understood him to mean to say that the home consumption now was about 50 pounds——

Senator LODGE. Fifty to fifty-five.

The CHAIRMAN. Fifty to fifty-five pounds per capita and that it was proposed to reduce that to 36 pounds per capita.

Mr. LUEDER. The home consumption?

The CHAIRMAN. Yes.

Mr. LUEDER. He meant by that the household consumption?

The CHAIRMAN. The domestic, the household consumption. Now, if that was true——

Mr. LUEDER. There is a difference between household consumption and per capita consumption.

The CHAIRMAN. I do not quite get your distinction on terms. What I understood him to mean was that each person in the United States in his home, on his table, not counting the candies nor counting the drinks that had sugar in them, consumed from 50 to 55 pounds of sugar per year.

Mr. LUEDER. That would make it a proportion of about five-eighths against three-eighths for manufacturing, whereas some people believe it is five-eighths for manufacturing and three-eighths for home consumption.

The CHAIRMAN. Assuming that he was right in those figures, so that there would be an actual reduction by reducing the consumption to 36 pounds, then how much sugar would that amount to?

Mr. LUEDER. That is hard to figure.

The CHAIRMAN. Well, not very. If you take 50 pounds, a reduction to 36 would be a reduction of 14 pounds.

Mr. LUEDER. Will you repeat that?

The CHAIRMAN. I asked you to state how much of a reduction that would mean. If the domestic consumption is from 50 to 55 pounds, how much of a reduction would it mean if it were reduced to 36 pounds.

Mr. LUEDER. It would be a reduction of about 30 per cent—about 35 per cent.

The CHAIRMAN. How much would that save in tons?

Mr. LUEDER. Well, we will figure the total. We will have to go back to the total consumption for the year, then.

The CHAIRMAN. Yes.

Mr. LUEDER. It has been estimated at about 4,000,000 tons—about 1,000,000 tons.

The CHAIRMAN. And that would make a saving of 1,000,000 tons?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. Even if the factories were allowed to run at full blast, and everybody was permitted to make candy. Now, with a saving of 1,000,000 tons, what do you say about the prospect of any kind of sugar shortage or sugar surplus in this country for next year?

Mr. LUEDER. There would not likely be a shortage.

The CHAIRMAN. There would be a great surplus, would there not, in fact?

Mr. LUEDER. By the end of the year, yes; but there might not be in this country.

The CHAIRMAN. It would be in this country unless we foolishly lifted the embargo and let the sugar be sent all over the world.

Mr. LUEDER. Yes, and if we brought it here from Cuba.

The CHAIRMAN. Oh, of course, I am assuming that we get the Cuban crop here. There is nobody doubting that coming here, I guess, is there?—no reasonable person. I wish you would put into the record, as a part of your testimony, an estimate of the amount of sugars that we would have on hand if this reduction to 36 pounds

is effected, and assuming that Mr. Hoover is right in his statement that the consumption of the American citizen is 50 to 55 pounds per capita per annum.

Senator LODGE. In the home, the household?

The CHAIRMAN. Yes.

(At the request of the witness, the statement just made by the chairman was read aloud to him.)

The CHAIRMAN. That will be written out for you, and you can give it to me later. I do not mean for you to figure it while you are on the stand, because I want you to hand it in to us, and we will put it in the record.

(The witness subsequently transmitted to the committee the following answer to the above question:)

WASHINGTON, *January 11, 1918.*

Hon. JAMES A. REED,
Chairman Subcommittee on Sugar, Washington, D. C.

DEAR SIR: Inclosed I beg to hand you the answer requested to your question as embodied on inclosed sheet and as understood by myself:

"I wish you would put into the record as a part of your testimony an estimate of the amount of sugars that we would have on hand if this reduction to 36 pounds is effected, and assuming that Mr. Hoover is right in his statement that the consumption of the American citizen is 50 to 55 pounds per capita per annum.

"Senator LODGE. In the home, the household.

"The CHAIRMAN. Yes."

Answer to the above question, as I understood it:

Based on the available supplies for 1918 as they appear in Willet & Grey's statistics, which are already in the record, if the per capita consumption of 50 to 55 pounds, assumed by Mr. Hoover, is reduced to 36 pounds per capita as proposed, which represents an approximate reduction of 25 per cent, based on a total per capita consumption of about 80 pounds, there would remain at the end of the campaign of 1918, at least 1,000,000 tons of sugar over.

Respectfully,

E. L. LUEDER.

The CHAIRMAN. Now, assume that the candy consumption had been cut down 50 per cent, can you tell us how much we would save on that?

Mr. LUEDER. Those are figures that I would have to go into, and I think Mr. Gardiner will qualify on those better than I can.

The CHAIRMAN. I want to ask you for your opinion as a sugar broker and a man interested in sugar, whether or not it does not seem a little absurd to be asking the American people to cut down the consumption of sugar in their families, on their tables, and at the same time to be issuing orders increasing the amount of sugar that the candy manufacturers can have from 50 to 80 per cent, and practically promising them 100 per cent within a short time?

Mr. LUEDER. That would be a question as to which you would consider most necessary.

The CHAIRMAN. Candy, or sugar on the table?

Mr. LUEDER. Or sugar on the table.

The CHAIRMAN. I think that is a very proper answer. I do not know that I ought to have asked the question.

What do you estimate the next Cuban crop to be, from the best data you are able to get?

Mr. LUEDER. About 3,300,000 to 3,400,000 tons.

The CHAIRMAN. That is a conservative estimate, is it not?

Mr. LUEDER. Yes, sir.

The CHAIRMAN. If there had been no interference with the sugar business in this country, what is your opinion with reference to whether sugars would have been obtained from points outside of the United States?

Mr. LUEDER. I think there would have been some more sugars available from Peru, from Brazil, and possibly from the Philippines, and some of the sugars that went to Canada, I think, would have been available for this market.

The CHAIRMAN. If there had been no kind of interference, state whether or not the beet sugars would have begun to have reached the East during the months of October, November, and December in order to supply the great shortage that there was there.

Mr. LUEDER. The cane sugars alone would not have been sufficient. It would have required the production of beet sugars that would have begun to have reached the market.

The CHAIRMAN. And the prices that would have been ultimately paid in those markets would have attracted the beet sugars to those markets, would they not?

Mr. LUEDER. According to all precedents, they would have.

The CHAIRMAN. Is there anything further you wanted to say to us?

Mr. LUEDER. No. I just wanted to put in the record this statement, that the constitution of the sugar committee as it is composed at this time, of refiners, makes a difficult situation, and I would like to make a suggestion, that that committee be composed also of other parties, representing other parts of the trade. That is all.

The CHAIRMAN. Do you think there ought to be wholesalers in there?

Mr. LUEDER. Not necessarily on the international committee. They might be represented in the distributing committee; but that is the only tribunal we have, and in a period of stress like the present, when for a good many purposes raw or washed sugars can be used for distributing purposes, it is not to the refiners' interests to grant that privilege, because every pound of sugar that the refiner does not refine, and that goes into distribution without being refined, he loses.

The CHAIRMAN. So that you think it is unfair to have refiners in complete command of the situation?

Mr. LUEDER. Absolutely so. I do not think it is equitable.

The CHAIRMAN. Would it not be better, now, whoever is to control—if we are to have sugar control—to have it in the hands of disinterested men—some disinterested tribunal?

Mr. LUEDER. Yes, sir; composed of men qualified in their capacity to look after the situation.

The CHAIRMAN. Do either of you gentlemen from the Food Administration happen to have found the testimony of Mr. Hoover that we were discussing?

Mr. LAMB. I have not. I have not got it here.

The CHAIRMAN. That is all.

TESTIMONY OF MR. WILLIAM W. GARDNER—Resumed.

The CHAIRMAN. You were going to give us the amount of sugars that were exported from the United States, and the months?

Mr. GARDNER. Yes. Here it is, roughly tabulated.

The CHAIRMAN. Will you not write that out so that it will be a plain statement that we can put in the record as a part of your testimony?

Mr. GARDNER. Yes, sir.

(The matter referred to was furnished by Mr. Gardner on January 11, 1918, and is here printed in the record as follows):

EXHIBIT No. 246–A.

Statement of the exports of refined sugar from New York, Boston, Philadelphia, and New Orleans during 1917.

	Tons.[1]
Total amount exported from all sources in 1917 was	438,398
This can be divided as follows:	
United Kingdom, France, and Italy	237,582
Neutrals	200,816
Total	438,398

I also give below the exports to neutrals during the months June to December, inclusive, 1917:

	Tons.[1]		Tons.[1]
June	28,220	November	583
July	22,514	December	
August	27,955		
September	15,729	Total	100,485
October	5,484		

The principal neutral countries consisted of Holland, Norway, Sweden, Switzerland, Denmark, Greece, Spain, and South American countries, chiefly Argentina.

TESTIMONY OF MR. HERBERT STANLEY CONNELL.

(The witness was sworn by the chairman.)

The CHAIRMAN. What is your name?

Mr. CONNELL. Herbert Stanley Connell.

The CHAIRMAN. Where do you reside?

Mr. CONNELL. In New York City.

The CHAIRMAN. What is your occupation?

Mr. CONNELL. Commission broker in raw sugar. I would like to make a distinction, if I may, there, between the nature of the brokerage business we do as commission brokers, and the brokerage business which has been described to you by others who are sometimes brokers and sometimes merchants. Our business was first established in 1836, and my father succeeded to the business in 1851, and I have been in business for the last 28 years. During all of that period we have done absolutely commission brokerage business in sugar. We do not buy sugar; we do act as merchants. We have never had any interest in sugar properties or in the article itself excepting an interest derived from the commissions on sales of sugar, on brokerage services rendered; and the clientele that we represent do a rather different business, also, from that which has been outlined to you by other brokers.

Our clients are sometimes shippers, sometimes merchant importers, and merchant bankers, who do not operate in sugar and who have never been connected with operations on the Sugar Exchange. They are old-time merchants and bankers, who obtain their sugars through advances, at times, made to the sugar plantations in the dead season and returned to them in the form of commissions on sales

[1] All tons 2,240 pounds.

of sugars which they later make, and sometimes sugars are consigned to them as firms known to the planters who do not require much in the way of accommodations, and who know them to be firms of standing—concerns in the sugar business—and to whom they can entrust their sugars for sale; and it is for that class of merchants and merchant bankers that we have always practically sold sugar.

Senator LODGE. You simply bring the buyer and seller together?

Mr. CONNELL. That is partly what we do; we bring the buyer and seller together. Those merchants have done a very important part of the sugar business, and I think they have brought more or less of the competition into the business that would have been lacking if their relations had been more direct and speculative. They compete between themselves in the selling of their sugar, and they have, I think, been contributory to supplying the market with a great deal of sugar, and to competition which has tended to keep the price of sugar within bounds. It is rather different from the exchange business that has been referred to, and speculative buying of sugar in Cuba, and reselling.

The CHAIRMAN. Your firm is James S. Connell & Son?

Mr. CONNELL. Yes, sir. I am the only surviving partner. My father died in 1912.

The CHAIRMAN. I suppose that you handle sugars for the domestic trade and also for the foreign trade?

Mr. CONNELL. We have done very little foreign business. Our business has almost entirely been for the domestic trade, with the refiners and other domestic buyers.

The CHAIRMAN. What are the causes for the present sugar shortage?

Mr. CONNELL. As stated by others who have gone before me, there have been a number of contributory causes. The earlier causes, I should say, started with the shortage in the Cuban crop, because of the revolution, from the expected yield. Then there was the reluctance of the English buyer to spare tonnage for the long voyage and incident risk, to bring sugars from Java to the British market, which resulted in them turning to the more convenient sources of supply—the American market for their refined sugar and the Cuba market for considerable raw sugar. Then there was an effect due to the agitation to withdraw the drawback on refined sugar, which I do not think is very important; for while it did result in England turning to Cuba at that time for raw sugar because of the fear that they would have to pay a cent a pound more for refined when the drawback was withdrawn, they probably otherwise would have bought a somewhere nearly commensurate quantity of the refined sugar instead of the raws. It did not make any great difference in the supply.

Then there was undoubtedly some rise in prices due to the prospect of difficulty in getting sugar here on account of the tonnage situation generally. Those causes were all such as to give warning of the probable shortage here in the late summer and fall months, and if that warning had been heeded, and latitude had been given to the exercising of individual effort on the part of the organized trade, if refiners had not been restricted in August from using their judgment as to purchasing raw sugars for forward shipment, that they thought might reasonably come in in time to help them supply their fall trade, and if the raw sugar interests had not been hampered on

account of not being able to sell to refiners, and finding about that time that there was no possibility of marketing anything but prompt raws, of which the supply was very limited then; that is, that they could not get encouragment to bring forward raws a little farther away, which might yet come in in time to augment the late fall supply, that tended to aggravate the scarcity of sugar in the fall.

The CHAIRMAN. Let me understand you.

Mr. CONNELL. Yes.

The CHAIRMAN. You mean to say that the regulations which were made, which stopped the refiners buying, took possession of the sugar market, were the interfering causes that produced this rise?

Mr. CONNELL. They were the ultimate causes which prevented minimizing that scarcity which was already indicated by the other causes I have mentioned; and I may say, that in the late spring and early summer months we appreciated that there was likely to be such a scarcity, and we wrote to Mr. Hoover in June in reference to it, and more particularly calling attention to the fact that there was a surplus of sugar in the Philippine Islands—we sell a large part of the Philippine sugars that come to this market, and have for a great many years—and that if efforts were made to provide tonnage for that sugar the price of the sugar out there at that time was relatively low enough to enable the shippers to pay the tonnage rates, or reasonable tonnage rates if the Government controlled them, and get a certain amount of that sugar to the market here in the fall. I think we learned that there was about 60,000 or 70,000 tons of the Philippine low-grade sugars, what they call dry sugar, for which there has always been a use here in the fall and sometimes at other seasons, and also some Philippine centrifugal sugar.

Our first letter to Mr. Hoover he replied to, stating that at that time the scope of his power was such that he was not able to take action on that, and he referred it to the Shipping Board, who communicated to us, and we had some later correspondence with them in which we pointed out the increasing certainty of a shortage here in the fall, and the importance of making early provision to bring the Philippine sugar here, it if was to be here in time. A little of that sugar ultimately came here through the Government, I think, setting aside a certain amount of the interned German tonnage which they had taken over, to bring Philippine sugar with other Philippine products to the country. I think it amounted to perhaps 6,000 or 8,000 tons. That is only one direction—perhaps not the easiest—to which we might have turned for some raw sugar supplies in the fall.

I think that the Brazil crop—I am not qualified to speak accurately on statistics—but I think that the Brazil crop approximately was some 150,000 tons in excess of last year, and we had figures from some connections of ours for whom we had handled some Brazil sugars in the past looking to bringing some of that sugar here into the market. But we could not do anything but discourage them, for the reason that from the time the price was fixed by the Food Administration on beet refined sugar, it was generally understood that it was the intention of the Food Administration at the earliest date possible to force a decline in the general market to that level, and when we offered or talked about sugars in other positions then prompt to the buyers or the international committee, that was always brought to

our attention, and naturally the merchant would not encourage his shipper to send sugar forward here on which there was a prospect of a loss of a cent a pound or more; so that that sugar did not come.

We had some sugars from Central America as well. It is difficult for me to say how much sugar could have been brought in here during those months.

The CHAIRMAN. But the effect of this artificial condition which was created by virtue of the arbitrary seizure of the sugar market was that it barred out the sugars of other countries.

Mr. CONNELL. Yes.

The CHAIRMAN. And barred the sugar dealers from an opportunity to secure those sugars?

Mr. CONNELL. Yes, from certain other countries which we have sometimes drawn upon for supplies in similar emergencies.

The CHAIRMAN. Now let us get that down to a practical and detailed statement. You had correspondents in Brazil who had sugar.

Mr. CONNELL. Yes.

The CHAIRMAN. They wrote here wanting you to handle that sugar as a broker?

Mr. CONNELL. No; they wrote to our merchant clients in New York. We do not handle any sugar direct from the producer.

The CHAIRMAN. Very well; they wrote to your clients.

Mr. CONNELL. Yes.

The CHAIRMAN. Proposing to send those sugars to this country?

Mr. CONNELL. That is, inquiring whether there would be a market for those sugars and upon what basis we could hope to sell them; and we discouraged them.

The CHAIRMAN. You say you discouraged them. What did you tell them? What did you have to tell them?

Mr. CONNELL. We told them we had approached the International Committee in reference to that and in reference to other sugars prior to that, to arrive in forward positions, and they told us—or Mr. Mott, who was the buying agent for the International Committee, told us—that they could not talk about those sugars at all, for the reason that it was the intention of the Food Administration to reduce the price of sugar as soon as practical, to the level of the fixed price of beet sugar, granulated.

The CHAIRMAN. $7.25?

Mr. CONNELL. $7.25.

The CHAIRMAN. Now, incidentally, and not to take you from the thread of your talk, they have since raised the price of sugar in this country, have they not?

Mr. CONNELL. Yes; and I may say that it was not found practicable to reduce the price of raw sugars to that level until recently, so that if we had been assured of the sale of those sugars, or that the market would be maintained until a certain amount of that sugar should have been brought here, for a period that would have enabled our merchants to get it to the market, probably a certain amount of that sugar would have come here. If they had even told us, as we asked them to, if they would take these sugars for shipment at a downward scale of prices towards the low level that they hoped then to establish, we might have gotten some of them here. But it was not conducive to business to know that they hoped to break the price, shortly, to the level of $7.25 for granulated, on all sugar.

The CHAIRMAN. In other words, the man who was going to buy those sugars would know that before they arrived in this country the market might have been put at a lower level by the decree of the one sugar buyer that was in the country, Mr. Mott.

Mr. CONNELL. That is so.

The CHAIRMAN. Now, suppose that that had not existed at all, and you had just had the market conditions that existed as to prices and market conditions that existed as to sugar, but no interference, by any governmental authority, could you have brought those sugars here then and sold them on the market?

Mr. CONNELL. I think a certain quantity of those sugars would have come here, judging by precedent. I may say that the ordinary channels of the sugar business have never failed, in my recollection, to get a sufficient amount of sugar to this country to prevent such a shortage as we have had lately. There was one time only in my recollection when for a short period there was a considerable stringency here, and that was not due to the fact that no sugar was brought here but to the cholera scare, I think it was in 1893, when there was quite a little beet sugar brought here on steamers, that was not discharged owing to the fear of contagion.

Senator LODGE. Those sugars were held up at quarantine?

Mr. CONNELL. They were held up at quarantine. There was some little stringency and rise of price in that year, but I may say there, too, that when the market for raw sugar touched a little over 6½ cents in August, 1914, shortly after the outbreak of war, which was brought about by very extraordinary buying upon the part of Great Britain before the Royal Commission on Sugar Supply was formed, that was the highest price that sugar had touched since 1889. That goes back to about the time that I first entered the sugar business, in 1890; so that in those years we had some years of bad crop conditions, notably those years that Mr. Gardiner referred to, when we had the trouble in Cuba and that supply was cut off, and yet the price never went beyond what we might call reasonable bounds, while the machinery of the sugar business was free to act and use their initiative to get sugar to the market.

The CHAIRMAN. Putting that, now, in a word, there were in this country a lot of sugar brokers who were in touch with the sugar producers of the world.

Mr. CONNELL. Merchant brokers.

The CHAIRMAN. And there were a lot of sugar refiners who were likewise in touch with the sugar producers and brokers, and they studied the market conditions here, the market conditions and the questions of production and consumption?

Mr. CONNELL. Yes.

The CHAIRMAN. And they were always eagerly awaiting a chance to get sugars; or if they had sugars, to sell those sugars? That was the situation?

Mr. CONNELL. That is so.

The CHAIRMAN. So that if there was a sugar shortage impending, somebody would go somewhere and find the necessary sugar?

Mr. CONNELL. They have always been able to, in the past.

The CHAIRMAN. A little rise would attract sugars from greater distances?

Mr. CONNELL. That is so.

The CHAIRMAN. And a little rise in one part of this country would attract sugars from other parts of our own country, would it not?

Mr. CONNELL. That has been so, and has resulted in beet sugars reaching a wider territory according to the market conditions.

The CHAIRMAN. Now, suddenly, the sugar market is entirely taken over by the Food Control. The refiners are all brought into a room, and they agree to take their prices only from the international committee; and then the international committee appoints Mr. Mott, formerly with the American Sugar Refining Co., to do all the buying and selling; that is true?

Mr. CONNELL. To arrange for all the buying.

The CHAIRMAN. To arrange for it?

Mr. CONNELL. I do not know that the international committee have ever bought sugars in their own name.

The CHAIRMAN. And then, with an impending sugar famine or shortage, when you go to Mr. Mott with a proposition to bring in sugars from other countries he tells you that the price is going to be further reduced, and you do not get the sugars?

Mr. CONNELL. That is so.

The CHAIRMAN. That state of affairs is true not only of you but of others in the trade, is not that so?

Mr. CONNELL. More so of others, because some others do a larger business in what we call these nonprivileged sugars than we do.

The CHAIRMAN. In your opinion, if there had been no interference whatsoever with the sugar business except that Great Britain and the allies and the United States together controlling all tonnage had simply quit bidding against each other for the Cuban sugar, would we have had this sugar famine in the United States, if the sugar committee had been allowed to go on the market and buy and sell?

Mr. CONNELL. Well, there were so many unusual conditions here that I would not like to say that I think no control was necessary. I think probably the food control was instrumental in bringing the foreign interests into harmony with us on that.

The CHAIRMAN. I am not talking about the food control; I am assuming, now, that we have done what everybody knew had to be done and which was done with reference to all our cereals and was done with reference to all our farm products and all our meat products, namely, there was some kind of an arrangement arrived at by which the amount that we were to give up to the allies was limited by passing through some agency; I am assuming that.

Mr. CONNELL. Yes.

The CHAIRMAN. Assuming that, and that the sugar market had been left to the world's market, and with the world to draw on, what would have been the effect on the price of sugar?

Mr. CONNELL. My opinion is that the prices would not have advanced materially in the period from August to December, and that more sugar would have been made available, both in the way of beet refined, and in the way of some further imported raws for requirements during that period, allowing the machinery of the trade to operate in a normal way without other restrictions.

The CHAIRMAN. What was the natural effect of putting the price of beet sugar at $7.25 at the seaboard, when the factory was able to sell for $7.25 or better at its doors? What was the natural effect of that?

Mr. CONNELL. I should say, in view of the further fact that the price of $7.25 was assured to them for their crop, the tendency would be to hold back the surplus of the crop for which there was no immediate demand in their local territory, until a little later, and market it there at the full price rather than absorb the extra freight which would have been necessary to lay it down on the Atlantic seaboard. I am not in the refined sugar business. I am only speaking just from my general judgment of the market.

The CHAIRMAN. You have here a statement which you have handed me. Do you desire to put that in the record?

Mr. CONNELL. It might be interesting. That statement, I may say, was compiled from data that we gathered from time to time, information and opinions that we expressed, mostly to our clientele. It was all gathered before this inquiry was expected, and it was with a view of posting our customers on what we believed to be the tendency of sugar control developments, and our views as to, in a measure, what plan of control might operate most satisfactorily. I would be glad to read that into the record if you desire.

The CHAIRMAN. We will file this, and we will print such parts of it as we deem to be proper.

(The paper referred to was marked by the stenographer "Exhibit No. 246.")

Mr. CONNELL. I would say in that connection that it was the understanding of the trade that more or less the plan of control that we outlined was to be followed; that in an interview I had with Mr. Rolph which I sought for the purpose of ascertaining whether a direct control was contemplated that would more or less interfere with the former channels of business, he told me that was not intended, and that the purpose of the Food Administration was to exercise a reasonable control over prices, and to supervise the apportioning and distribution of sugar.

The CHAIRMAN. That will be all. I thank you very much, Mr. Connell.

(The statement above referred to is here printed in the record, as follows:)

EXHIBIT No. 246-B.

JAMES S. CONNELL & SON,
New York, January 4, 1918.

Hon. JAMES G. REED,
United States Senator from Missouri,
Washington, D. C.

DEAR SIR: The writer this date received a telegram from the Sergeant at Arms of the Senate requesting his attendance in Washington at 10.30 a. m. on Monday next, January 7, before your committee, and has replied that he will be present at that time.

In anticipation that the time might come when I would feel impelled to give public expression to very positive views which I have entertained for some time past with reference to sugar control, I prepared a statement of developements relating thereto, which have come to my particular notice and in which I have to an extent been personally concerned; and it seems to me proper that I should submit a copy of the statement to you at this time for your information and consideration.

This statement covers more or less fully the testimony bearing upon sugar control that I shall be able to certify to, if called upon, and upon it I shall be glad to be questioned and am willing to stand.

I wish particularly to note that no personal animosity or partisan views have prompted the position I have taken in this matter, nor have I had any intention of embarrassing the Food Administration in its commendable efforts to ameliorate distressing conditions, which it is charged with remedying.

Whether it would be practical at this time, when such progress has been made in an entirely different direction. to revert to what we believe to have been the original policy of sugar control contemplated, I am not at all confident, although I have felt that this plan should first have been tried. As my sentiments are most loyal toward the Government and its appointed instrumentalities, and my first interest in this matter is that an equitable, efficient working plan of control shall be adopted, I would rather see the powers of the Food Administration extended so that it may be in a position to fulfill all promises made and all obligations incurred as a Government agency than that an indecisive and irresponsible course be followed, which the Food Administration is without adequate power to effectively carry through. I am,

Very respectfully, yours,

HERBERT S. CONNELL.

(One matter not touched upon elsewhere in these statements: The importance of enforcing the reduction in per capita consumption, suggested by the Food Administration. from say about 85 pounds per annum to 3 pounds per month, or 36 pounds per annum.)

With estimated crops from domestic sources (beets and Louisianas), from the United States insular possessions and from Cuba (only), excluding San Domingo and other West India sugar, Central American, South American, and all other nonprivileged sugar, amounting to approximately 5,500,000 tons, there would seem to be no real necessity for bringing about a reduction in the United States consumption from approximately 4,000,000 tons to approximately 1,800,000 tons because of any expected shortage in the quantity of sugar in sight for the requirements of the United States and the allied countries.

Some excuse might be found for retrenchment in the use of sugar at this time on the ground that there may be a holding back of supplies for a certain period, due in part to the complexities of the present market situation and difficulties in the way of accomplishing business; as well as necessitated by a lack of sufficient tonnage to bring forward the full quantity of sugar for indicated requirements of the near future; also because of possible interference with the free distribution of sugar throughout the country on account of internal transportation difficulties.

These factors might result in an automatic reduction in consumption for a while to come, which could not entirely be made up later. On the other hand, if such difficulties are overcome through effective Government control, there would seem likely to be more than sufficient sugar available for domestic needs and the requirements of the allied countries later on.

HERBERT S. CONNELL,
Of the Firm of James S. Connell & Son.

JANUARY 4, 1918.

STATEMENT OF DEVELOPMENTS IN SUGAR-CONTROL PLANS.

The writer has been a broker in raw sugar in the New York market for the past 28 years continuing a business first established at 105 Wall Street. this city, in 1836. to which my father and late senior partner James S. Connell succeeded in 1851, and of which he remained the active head for 62 years (until his death, in 1912).

Despite the increasingly serious developments in the sugar-control situation since the international sugar committee began to put its plan into operation, threatening a disruption of the business as organized if not the complete elimination of established mediums through which the sugar business had previously been conducted. my firm refrained from indulging in personal criticism of the international sugar committee as constituted or of the motives which prompted the plan of control determined upon by this committee presumably with the approval of the Food Administration.

However as a matter of individual conviction and through a sense of duty to our constituents we have taken occasion to question the wisdom of a direct and drastic governmental control as calculated to work a permanent and undesirable change in the sugar business unnecessarily harmful to the interests of the long-established firms who have heretofore conducted same, as well as tending to operate unfavorably for the interests of the Government itself.

We have felt and so stated. that an equally satisfactory. if not superior, policy of control might have been evolved along the lines which the sugar trade was given reason to believe it was the intention of the Food Administration to follow. which would have permitted the realization of the publicly expressed wish of the Food Administration that the old methods should be preserved and the business continue to be conducted through former channels.

The writer had an interview with Mr. Rolph in Washington on September 10, having gone there for the purpose of confirming at first hand the assurances received from the Food Administration as to its intentions with respect to the legitimate brokers in raw sugar and to ascertain, if possible, something of the method of control which the international sugar committee had in view.

My firm had previously addressed a letter to Mr. Hoover, under date of August 30, setting forth the exact nature of business in which we were engaged and expressing a hope that the Food Administration did not contemplate taking action that would be inimical to the interests of ourselves and others conducting a like business. To this letter we received a reassuring reply from the Food Administration under date of September 1, over the signature of Mr. George M. Rolph, chairman, in which he stated: "We know of no reason why you should have any concern in reference to continuation of your business in the future as in the past. Speculative profits will be eliminated but reasonable compensation for services as actually rendered in the sale and distribution of food products will not be disturbed by the Food Administration."

(Our firm has never speculated or had any other interest in sugar than that derived from legitimate commissions for brokerage services rendered.)

Certain public utterances of Mr. Hoover and others in reference to governmental intentions concerning sugar control as published in the daily press caused me some apprehension, which prompted a telegram to Mr. Rolph asking for an interview, and not having yet received a reply thereto (which, however, arrived later), I left for Washington on the 9th and saw Mr. Rolph the next morning, as above stated.

At this interview I said that I did not question the good faith of himself and of the Food Administration in their declaration of a favorable attitude toward the raw-sugar brokers, but that it had occurred to me that, if the Food Administration should later deem it expedient to exercise a more direct and complete control over the industry—as it had lately been stated in the press might result—this might operate to automatically take business out of the old channels, notwithstanding the expressed wish of the Food Administration that this should not be done. I suggested that this would likely be the case if the Food Administration intervened directly between the producer and shipper of sugar and refiners or other purchasers; if the Food Administration itself purchased sugar or, with the cooperation of the Cuban Government, agreed upon a price at which the crop or an important quantity of sugar was to be purchased or taken over; or if the international sugar committee should decide that a more effective control could be exercised through treating with a pool of the larger selling interests in Cuba or here.

Mr. Rolph definitely stated that it was not the intention of the Food Administration to pursue any of these methods: that the international committee of five members would not even consider undertaking the many details—involving the enormous incident labor and expense—necessary to control sugar in such a way: that he as a sugar man appreciated the necessity for working through existing mediums, and that, if they did follow such a plan (to quote his own words), "what would be the result when the war is over, say, three months, six months, or a year from now: we would have destroyed the machinery of the business and who would then carry it on."

Mr. Rolph further said that the raw-sugar brokers could be perfectly comfortable and assured of being able to carry on their business as before, for the reason that "they would transact business just as they had been doing, receiving offerings from their former connections and tendering same to the buyers for the various refiners" (naming Mr. Mott, of the American Sugar Refining Co.; Mr. Post, of B. H. Howell, Son & Co.; and Mr. Smith, of the Federal Sugar Refining Co., etc.). That it was the intention of the international committee solely to exercise a control over prices, when it seemed desirable, and a supervision over the purchasing, apportioning, and distributing of sugar through its arrangement with refiners; in other respects the business was to continue in the old way.

While he did not say that there would be no refiners on the international committee, the impression he gave me was there were unlikely to be: for the reason, as he said, that "refiners would have their own committee to confer with the international committee on matters affecting their interests."

I returned from Washington very much relieved in mind: and, on the day I reached New York, advised my own customers and other raw-sugar brokers of the results of my interview: and, following the course indicated by Mr. Rolph, proceeded to submit offerings of raw sugar to refiners, first to Mr. H. C. Mott, then buyer for the American Sugar Refining Co.

I was surprised when Mr. Mott informed me that refiners were not to make any further purchases, but that all raw sugar thereafter was to be bought by the international sugar committee. I expressed the opinion that he was mistaken, citing

what Mr. Rolph had told me, but Mr. Mott said that Mr. Babst, president of the American Sugar Refining Co. (who had not yet been announced as a member of the international committee), maintained that, regardless of Mr. Rolph's declaration, the committee was already arranging for the buying of sugar.

I was then of the opinion, and prefer still to believe, that the Food Administration at that time had no such intentions, but contemplated following the course outlined by Mr. Rolph, which view is at this time consistent only with the presumption that some selfish and sinister influence was instrumental in causing the entire reversal upon the part of the Food Administration and the international committee of its announced policy of control.

There was general consternation in the sugar trade when the announcement was made that Mr. Babst, and Mr. Jamison, of Arbuckle Bros. (both refiners), had been named as two of the American members on the international committee (Mr. Rolph, also representing refining interests, being the third), and developments in the sugar-control situation from that time have been such as to confirm the apprehensions of those affected thereby, or to increase their uncertainty as to the future of their business interests.

Under date of November 30, we issued a special market letter to our clients, from which we quote as follows:

"The closing of another business week brings just so much nearer the opening of the new Cuban and Porto Rican seasons; in fact, these crops are already underway, grinding, it is reported, having begun on five centrals in Cuba and one in Porto Rico, yet the outlook for business in new-crop sugar still remains unsettled, and it must be acknowledged that little new light has been thrown upon the plan and scope of control which the Food Administration proposes to exercise through its international sugar committee, nor has much information been vouchsafed as to what freedom of action will be allowed those in the past conducting sugar business in its various branches, thus enabling them to take necessary steps toward renewing their former connections and perfecting plans for the approaching campaign, either along old lines or in conformity with such new regulations as the Food Administration may consider it expedient to impose.

"Detailed arrangements for the financing, moving, and marketing of new sugar have in past seasons been well advanced before crops were in such close prospect as they are to-day; but with the future still clouded by uncertainties and business more or less 'in the air,' final arrangements of this nature are to a large extent held in abeyance.

"Such evidence of the policy conceived by the international sugar committee as have been lately revealed to those not in the committee's full confidence would seem to foreshadow instead of merely a regulation of sugar values and a supervision by the committee over the purchasing, apportioning, and distributing of sugar, a contemplated more drastic control plan, virtually taking over the management and administration of the sugar business. This intention would seem to be clearly indicated by the recent announcement that the Food Administrator would apply to Congress at the coming session for an amended food-control act, giving the Food Administration authority 'to trade in sugar.'

"What the effect of the working of such a plan will be upon the future of the sugar industry—even though some measures be taken to protect or compensate interests heretofore actively engaged in same—may be surmised. There are those experienced in the business who consider that a demonstrated willingness upon the part of the Food Administration to seek advice and cooperation from recognized expert authorities in the trade would have contributed materially to the early solution of many problems already encountered and certain yet to be confronted, and to the working out of an equitable and eminently satisfactory plan of control.

"That it is vitally in the interest, not only of the sugar industry as constituted but of the Government itself, that the carrying on of important business enterprises should be left, as far as possible, to business organizations of known reliability and experience in their special lines, seems hardly open to question. Nor should the contention that such a plan—involving the adherence by the Food Administration to its original idea of only price regulation and supervisory control, and permitting of a continuance of the former relations between producers, shippers, carriers, sellers, and buyers—should first have been tried and might yet be found not only feasible, but most desirable, be construed as designed to embarrass the Food Administration in the discharge of its proper functions."

We here reaffirm that our attitude on this question was not prompted so much by self-interest as by patriotic motives, and a sense of equity and of obligation to our principals and to our fellow brokers. We still believe that, had the policy been followed which Mr. Rolph originally had in mind, the result would have been a far

more equitable, satisfactory, and effective control of sugar than has thus far eventuated; that business would have progressed more expeditiously and normally, without injury to the interests of the many established reputable firms in the various branches of the sugar industry and with less danger to the welfare of the mercantile community and—through the ruination of important business—to the best interests of the United States Government.

Whether it would be practical at this time, when such progress has been made in an entirely different direction, to revert to what we believe to have been the original policy of sugar control contemplated, I am not at all confident—although I have felt that this plan should first have been tried. As my sentiments are most loyal toward the Government and its appointed instrumentalities; and my first interest in this matter is that an equitable, efficient working plan of control shall be adopted: I would rather see the powers of the Food Administration extended, so that it may be in a position to fulfill all promises made and all obligations incurred as a Government agency: than that an indecisive and irresponsible course be followed, which the Food Administration is without adequate power to effectively carry through.

HERBERT S. CONNELL,
Of the firm of James S. Connell & Son.

JANUARY 4, 1918.

Supplemental to "Statement of developments in sugar-control plans."

CAUSES OF SUGAR SHORTAGE.

1. Cuban revolution, resulting in a falling off in the Cuban crop from earlier expectations.
2. Reluctance upon the part of Great Britain to provide tonnage for the long voyage and risk incident to moving Java sugars to the United Kingdom market.
3. A like failure upon the part of this Government to arrange for bringing Philippine sugars to the United States market.
4. Threatened action by Congress to abolish the drawback on refined sugar, resulting in extraordinary supplemental buying upon the part of the allied interests of Cuban raws.
5. An exceptional demand for refined sugar, in consequence of campaign for increased canning and preserving fruits, etc.
6. A too radical peremptory attempt upon the part of the Food Administration to bring about a downward adjustment of sugar values inconsistent with prevailing supply-and-demand conditions.
7. The uncertainty as to plan of sugar control contemplated, and the degree of freedom of action permitted to those engaged in the handling of sugar, making it impossible for established sugar houses to make customary arrangements with their constituents looking toward the continuance of their business relations, or to furnish them with such definite information as to the prospects of marketing their sugar as would encourage them to initiate business.
8. The unaccountable delay in the marketing and countrywide distribution of the domestic crops, of which a sufficient quantity has already been made to have met the full requirements of the country to date. That this may in part have been due to the original attempt of the Food Administration to generally adjust beet values at once to the 7.25-cent level for beet refined agreed upon would seem to be borne out by the fact that, when the price limit was advanced, a certain amount of beet refined was at once released for eastern requirements.
9. More recently the arresting of negotiations for the movement of new-crop Cubas, promising to result in a considerable shortage in receipts of same for some time to come, as compared with the quantity received in other seasons, due to uncertainty upon the part of producers, sellers, or their agents as to the price they would ultimately receive for their sugar under the new Cuban contract; the failure to date to complete and ratify said contract; definite information as to proposed freight rates; and, since the announcement of tentative rates, as to how those rates were to be applied and who was to absorb the extra freight above the so-called "basic rate" and assume penalties in connection with loading and discharging requirements; also, extra insurance above normal rates; also because of general lack of information as to the plan by which sugar was to be finally marketed or contracted for—through what channels this was to be accomplished and with whom contracts would be made.

NOTE.—Speaking for ourselves, we would note that before this date in other seasons we have often effected sales for our clients of several hundreds of thousands of bags of Cuban sugar—in some instances of entire output of plantations making, say, 150,000

bags, and for shipments extending through the first four to six months of the year, whereas owing to prevailing unsettled conditions and uncertainties above noted, we have this year sold only one small parcel of 5,000 bags new crop sugar, and for this lot shippers, upon their own authority, engaged room by a sailing vessel awaiting orders at their port, for New Orleans (not through the prescribed channel of the so-called "Cuban producers' committee" and the joint committee on West Indies transportation).

One of our client's shippers applied for a steamer to take 5/10,000 bags sugar in the last week of December, for which a vessel was named by the Cuban producers' committee to take 5,000 bags, which vessel has since been withdrawn and no other substituted.

Of our other important principals, certain of whom have for many years represented planters controlling large productions and others of whom had already been advised by certain planters whom they represented that they expected to sell their entire productions through them, none have been able to make sufficient progress in their arrangements to enable them to accomplish business, or have failed to do so through not being able to make firm tenders for early shipment, the international sugar committee refusing to consider shipments after January 10.

We believe some of our principals have sold, or arranged to sell, sugar direct to the international committee, to take the price and conditions ultimately agreed upon between the Cuban Government and the United States Food Administration; but, obviously, such contracts can only be made by those who actually own the sugar, or whose control over the sale of same is absolute.

There have also been some instances in which shippers, whose sugars ordinarily come through clients of ours here, owing to inability of our friends to obtain firm offers for sugars or quote them definite price that they would ultimately receive for same, or because they believed they could sell to better advantage locally, have disposed of sugar to Cuban interests, commissions on same being thus irretrievably lost to our principals.

A further prospective serious cause of sugar shortage, which we should have included above—

10. The scarcity of early available tonnage at the present disposal of those having to arrange for the shipment of new crop raws.

HERBERT S. CONNELL,
Of the firm of James S. Connell & Son.

JANUARY 4, 1918.

WEEKLY MARKET LETTER.

NOVEMBER 30, 1917.

GENTLEMEN: Our last letter was dated November 22.

Thanksgiving holiday intervening on the 29th instant, our letter is this week issued a day late.

There has been no important change in the local sugar market since last writing, raw quotations remaining nominally unchanged for early delivery at the international sugar committee's last reported official quotation of 6.90 cents delivered for 96 test centrifugals, and a limited quantity of sugar in near-by positions has changed hands at this level; also other limited sales have been made of nonprivileged sugars at equivalent price and at 5⅝ cents c. i. f., which works out a small fraction less. Rumors have been current of sugar continuing to be secured by trade buyers at above the committee's official quotation for refining purposes, but confirmation of further sales of this character during the week is lacking.

The following announcements have been made public by the international sugar committee since our last (under date of 28th instant):

"Dr. William Marshall, late of Purdue University, Lafayette, Ind., has been appointed chief statistician and comptroller of the international sugar committee."

"A committee to handle West India sugar transportation problems has been appointed by the United States Shipping Board, with Mr. Joseph Hodgson, chief traffic manager of the New York & Cuba Mail Steamship Co., as chairman."

Mr. George M. Rolph, chairman of the international sugar committee, is in receipt of the following letter from the War Trade Board at Washington:

NOVEMBER 26, 1917.

Mr. GEORGE M. ROLPH,
International Sugar Committee, 111 Wall Street, New York City.

DEAR SIR: We are granting licenses for export of sugar from the United States only where the application has been approved by the international sugar committee

in accordance with the recommendation of the Food Administration, except for small quantities in special cases.

Very truly, yours,

WAR TRADE BOARD,
By W. K. MACY.

"Under this ruling of the War Trade Board it will be necessary for all parties desiring to export sugar from the United States to first have their application for export licenses approved by the international sugar committee at its office, 111 Wall Street, New York. Applications should be made out in the regular way and after receiving the approval of the international sugar committee be sent to the proper Government department as heretofore. The approval by the international sugar committee will insure prompt issuance of the license."

The following raw transactions have been confirmed during the week:

November 27: 800 bags Surinam centrifugals, in port, at 5⅝ cents c. i. f., bas. 96°, delivered to the international sugar committee.

November 26–27: 2,300 tons Philippine Islands centrifugal sugar, transshipped at San Francisco by steamer, via Panama Canal, for New York; understood at official market price of 6.90 cents, bas. 96°, delivered to the Warner Sugar Refining Co.

From the fact that Philippine Islands sugar, as above noted, has been sold direct from owners to refiners, it is our assumption that these and other "duty-free" sugars are not regarded by the Food Administration as included under its agreement with refiners and that it is not incumbent upon owners of such sugar to confine their offerings of same exclusively to the international sugar committee, but that they are privileged to sell direct, either to refiners or trade buyers.

Weekly Cuban and domestic statistical figures are as follows:

For all Cuban shipping ports by cable of November 26:

Exports to United States Atlantic ports, 5,500 tons; last week, 2,580 tons; in 1916, 26 636 tons; in 1915, 28 209 tons.

Stock, 13 775 tons; last week, 23,728 tons; in 1916, 47 111 tons; in 1915, 57,211 tons.

Centrals grinding, 3; last week, 1; in 1916 none; in 1915, none.

For United States Atlantic ports, week ending November 27:

Receipts, 7,845 tons; last week, 12,123 tons; in 1916, 46,105 tons; in 1915, 32,000 tons.

Meltings, 8,000 tons; last week, 10,000 tons; in 1916, 35,000 tons; in 1915, 47,000 tons.

Stock, 8,264 tons; last week, 8,419 tons; in 1916, 70,072 tons; in 1915, 130,305 tons.

Conditions in the refined market continue about as previously noted. The American and Howell are the only local refiners at present in the market, and it is understood that rather less sugar has been distributed by them during the past week than during the week before. Quotations remain on basis of 8.35 cents, less 2 per cent, for granulated.

The closing of another business week brings just so much nearer the opening of the new Cuban and Porto Rican seasons—in fact, these crops are already under way, grinding, it is reported, having begun on five centrals in Cuba and one in Porto Rico; yet the outlook for business in new crop sugar still remains unsettled, and it must be acknowledged that little new light has been thrown upon the plan and scope of control which the Food Administration proposes to exercise through its international sugar committee; nor has much information been vouchsafed as to what freedom of action will be allowed those in the past conducting sugar business in its various branches, thus enabling them to take necessary steps toward renewing their former connections and perfecting plans for the approaching campaign; either along old lines or in conformity with such new regulations as the Food Administration may consider it expedient to impose.

Detailed arrangements for the financing, moving and marketing of new sugar have in past seasons been well advanced before crops were in such close prospect as they are to-day; but, with the future still clouded by uncertainties and business more or less "in the air," final arrangements of this nature are to a large extent held in abeyance.

It is understood that the Cuban Government Commission, which recently was in conference with the Food Administration in reference to the fixing of a price for the season's sugar crop, has obtained authority from the Cuban Government "to accept offer of the United States Food Administration of 4.60 cents f. o. b., bas. 96°," and is returning to New York to close such agreement. The international sugar committee, however, has not been willing to admit having committed itself on any price for the Cuban crop, nor is there reason to believe that the Food Administration has present authority under the law to contract with the Cuban Government or with others for sugar supplies.

Such evidences of the policy conceived by the international sugar committee as have been lately revealed to those not in the committee's full confidence, would seem to foreshadow—instead of merely a regulation of sugar values and a supervision by the committee over the purchasing, apportioning, and distributing of sugar—a contemplated more drastic control plan; virtually taking over the management and administration of the sugar business. This intention would seem to be clearly indicated by the recent announcement that the Food Administrator would apply to Congress at the coming session for an amended food control act, giving the Food Administration authority "to trade in sugar."

What the effect of the working of such a plan will be upon the future of the sugar industry—even though some measures be taken to protect or compensate interests heretofore actively engaged in same—may be surmised. There are those experienced in the business who consider that a demonstrated willingness upon the part of the Food Administration to seek advice and cooperation from recognized expert authorities in the trade would have contributed materially to the early solution of many problems already encountered and certain yet to be confronted, and to the working out of an equitable and eminently satisfactory plan of control.

That it is vitally in the interest, not only of the sugar industry as constituted but of the Government itself, that the carrying on of important business enterprises should be left, as far as possible, to business organizations of known reliability and experience in their special lines, seems hardly open to question. Nor should the contention that such a plan—involving the adherence by the Food Administration to its original idea of only price regulation and supervisory control, and permitting of a continuance of the former relations between producers, shippers, carriers, sellers, and buyers—should first have been tried and might yet be found not only feasible, but most desirable; be construed as designed to embarass the Food Administration in the discharge of its proper functions.

A line on what may be expected from the operation of an opposite and unnecessarily drastic policy of control might perhaps be obtained from an article in the National City Bank of New York's publication, The Americas, volume 4, No. 2, of November 1917, under the caption, "The further protest of the British merchant organizations," from which we quote the following resolutions presented by the merchants' committee of the London Chamber of Commerce, which had been unanimously adopted by the council of the chamber:

"That this meeting of merchants, manufacturers, and traders supports the protest of the merchants' committee of the London Chamber of Commerce against the methods adopted by departments of the Government in controlling and restricting trade, which has had the effect of diminishing and seriously delaying the arrival of available supplies from sources at home and abroad and of raising the prices of necessary commodities. This meeting further submits that the Government should cease to act as a trading intermediary between producers and consumers, but should utilize to the fullest extent the services of the business community, and that control departments should in all cases be assisted or directed by business men nominated by their respective trades."

Also from an article in the New York Tribune of November 30, 1917, headed "Once busy merchants of England now idle class."

Perhaps those to whose notice this letter may come do not share the apprehension that we have heard expressed in many quarters, and are unaware of the increasing undercurrent of concern which some feel and their fear that the adoption of any scheme of control of sugar that does not embrace the active cooperation of existing trade mediums will work an undesirable and permanent change in the industry; but we have felt it proper that we should record these views for the information of our own clientele, and as possibly of interest to the trade in general.

The following announcement was made public by the international sugar committee late this date:

"At a meeting of the Cuban commission appointed by President Menocal of Cuba, and headed by Señor Carlos Manuel de Cespedes, with the international sugar committee, held this afternoon at the office of the committee at 111 Wall Street, an agreement in regard to the purchase and sale basis price of Cuban sugars for the coming crop was arrived at, the figure being 4.90 cents cost and freight New York, based on a 30-cent freight rate, which reflects an equivalent of about 4.60 cents f. o. b. Cuba. The actual price of the sugar at New York can only be determined after the United States Shipping Board has fixed the rate of freight, which point it is hoped will be settled within a very few days. The committee adjourned to work out important details in connection with this immense transaction. It was reported by the commission that a number of centrals had already started grinding in Cuba and that the sugar will be shipped as rapidly as transportation can be found to lift it."

Respectfully, yours,

JAMES S. CONNELL & SON.

[New York Tribune, Friday, Nov. 30, 1917.]

ONCE BUSY MERCHANTS OF ENGLAND NOW IDLE CLASS.

GOVERNMENT SUPERSEDES THE MIDDLEMAN AS NEARLY EVERY FORM OF MARKETABLE PRODUCT IS BROUGHT UNDER STATE CONTROL.

By HERBERT S. OAKLEY, British Economic Expert.

LONDON, *November 20.*

Will State control of national supplies result in the permanent abolition of the middleman or merchant? This is a question which is likely to become as acute in the near future in the United States as it has already become in the United Kingdom.

In England hundreds of thousands of merchants are woefully surveying their elaborate showrooms and mournfully going through their lists of customers, wondering if ever they will be allowed to trade with them again. Almost every important form of marketable product has now been brought under some form of State control, and in practically every case the immediate result has been the elimination of the middleman. Producers and consumers are being brought close together, with the State acting as intermediary where such an office is necessary.

Indeed, so deep has the antagonism to the middleman gone that only recently a scheme was mooted for establishing a public company, with a capital of $5,000,000,000, to wipe him out altogether. The scheme can not be said to have "caught on." It was, in fact, a fairy-tale kind of proposal. At the same time, it was thoroughly symptomatic of the kind of thought which has been engendered by the war activities of British Government departments.

MERCHANTS FIGHT FOR LIFE.

The merchant class—and it is an important class in the hegemony of British commerce—has not taken the new conditions lying down. The merchants are making a strenuous fight for life and are taking the utmost pains to convince the nation that, whatever may have been necessary for war purposes, the permanent control of production and distribution by the State would not be in the best interests of the country. The tragic nature of their case hardly needs demonstrating. It can be understood when it is pointed out that to-day the Government controls all dealings in coffee, coal, copra, diamonds, feeding stuffs, grain, jute and its fabrics, leather, maize, meat, metals, oilseed, paper, petrol, preserved meat, rubber, sugar, tea, tanning materials, tobacco, wood, wool, etc.

Not a single ounce or a single yard of any of these materials may be bought or sold without the transaction receiving the sanction of the Government. In many cases the material is only purchasable abroad from a neutral country or an ally, but the rule is just the same—every transaction must be carried through under Government license. In the bulk of cases the entire machinery by which the trade was previously conducted has been swept aside. Produce exchanges, metal markets, and other centers of barter have been left derelict or have become Government annexes. Merchants, agents, and brokers are out of work, and businesses built up by dozens of years of hard work and worth thousands of dollars a year have crumbled to nothing.

RISKS TAKEN WITH PROFITS.

Of course, in theory the closer the producer and the consumer can be brought together the better for everybody concerned. Theory does not always work out in practice, however, and the merchants are declaring emphatically that it has not done so in this case. In the first place, they point out that much of Britain's commercial prosperity has been due to the enterprise of the merchants. They have taken the risks of discovering new markets and new sources of supply. They are the expert buyers and sellers and have at no little cost to themselves shepherded the world's necessities from the time they have grown in the field or been hewn from the mine through the varying processes of manufacture until they have reached the consumers.

They have made large profits, it is true, but they have also taken great risks, and the work they have performed had to be undertaken by some one. To-day they declare the efforts of the Government to do the work is proving a very costly experiment from the national point of view.

Manufacturers, they say, owe a great deal to the merchants who have provided them with the means of disposing of their products in the most profitable markets. Without the merchants manufacturers would need to keep largely augmented staffs,

and they would be compelled to add to their other activities a close and constant study of the world's markets. Although they are as anxious and as willing as every other class of the community to assist the Government to carry through the war to a successful issue, they complain bitterly of useless interference with long-established trade customs by nonexpert civil servants with no result either in increasing supplies or lowering prices. In a report recently issued by the merchants' committee of the London Chamber of Commerce it is emphatically declared that the "action of the controllers has in many cases conduced to high prices and ultimate scarcity."

"No Government," it is added, "can control all the world's trade when free markets in other countries attract supplies at higher prices. Nothing raises prices more quickly than the knowledge that the Government is buying. It is impossible that controllers can possess anything like the knowledge of the ramifications of the world's trade and of the extreme delicacy of the fabric of finance upon which it is conducted, which is at the disposal of the merchants of the city of London, whose daily business it has been for generations."

TESTIMONY OF MR. LAMBERT V. B. CAMERON.

(The witness was sworn by the chairman.)

The CHAIRMAN. Where do you reside?

Mr. CAMERON. Brooklyn, N. Y.

The CHAIRMAN. What is your business?

Mr. CAMERON. Broker in refined sugar.

The CHAIRMAN. How long have you been in that business?

Mr. CAMERON. I started as a boy in the sugar and molasses business in 1873, and went into business for myself in 1888. That is, I have been on the Street, within four blocks, the entire time.

The CHAIRMAN. There has been sent to the committee a protest of the National Association of Brokers in Refined Sugar against Mr. Babst continuing as president of the American Sugar Refining Co. and at the same time continuing his membership on the International Sugar Committee. What have you to say to the committee about that?

Mr. CAMERON. May I commence with the United States Food Control and bring it up to date?

The CHAIRMAN. Yes.

Mr. CAMERON. At the time it was decided to have the United States food control, before committees were appointed, I had the impression that committees generally in reference to the distribution of sugar and even the buying of sugar would be put on a basis that they would run through the old, usual, and regular channels of business. At the time that Mr. Babst was appointed, I felt that eventually matters might not be as harmonious as we thought. To my mind, the influence has been brought around to centralize all this into the hands of a few men, so that it makes the men of brain of the sugar business, which has been going on for years, mere matters of courtesy; that the American Sugar Refining Co., in its percentage of the business of 41 per cent of the distributions throughout the country, puts the other refiners in an unfair position. During the past year I think Mr. Babst's actions at various times have been arbitrary. For instance, last summer, where we sold sugars in bulk, they were changed without any authority even from the buyer, to package goods.

The CHAIRMAN. Is that since Mr. Babst has been on the International Committee?

Mr. CAMERON. I am referring to what was the first intimation that I felt that brought up the idea, that it gives him a chance to rather influence more to his own company.

The CHAIRMAN. You think from the fact that he is employed in the position that he is in, that he is able to employ it to the advantage of his own company?

Mr. CAMERON. I think so; it is my opinion.

The CHAIRMAN. What has been the effect of his holding this position with the men engaged in the sugar business?

Mr. CAMERON. With the brokers he took very drastic action on the 27th of last December, in which he issued a notice which is on that same circular.

The CHAIRMAN. We have that.

Mr. CAMERON. You have that—in which he issued a notice that he was going to quit doing any business through the brokers? The brokers have been generally free to act for the grocers of the country to the best advantage of the refiners and grocers. The sugar broker is placed in a very honorable position. He is given the refiner's interests to look after; he has got the jobber's interests to look after; he has got to be in a position of balancing and working for harmony. At the same time he is the instrument whereby he gives a correct posting throughout the country as to the supply and demand, and it is the broker that the jobber looks to for the correct statistical position of the market.

The CHAIRMAN. Have you had any talk with Mr. Babst in regard to the abolition of the broker?

Mr. CAMERON. At various times. Mr. Babst has stated that his idea was that we ought to work in harmony. During the past summer the distribution of sugar has been different in this way, "Our time is valuable," and we brokers——

The CHAIRMAN. Well, I do not know——

Mr. CAMERON. I will state it in this way, Senator. We have waited after the market has been given out in the morning as much as three hours at a time waiting for the salesman, who after allotting so much to their trade, would allot 25 to 150 barrels to each broker to divide among his customers.

The CHAIRMAN. I asked you if you have had any conversation with Mr. Babst about this abolition of the broker?

Mr. CAMERON. I am bringing that up now.

The CHAIRMAN. All right.

Mr. CAMERON. On December 28 Mr. Babst sent for me—the telephone came for Mr. Crossmore, and also Judson Lounsberry—I mention these two names, because they are the chief men, you might say, in the American Sugar Refining Co.'s employ who said that Mr. Babst was very anxious to see me as soon as possible. At that time I was at a meeting of a special committee which had this other matter in charge.

The CHAIRMAN. What is "this other matter?"

Mr. CAMERON. Of our making this protest against Mr. Babst's actions.

The CHAIRMAN. The protest which you afterwards did make, and a copy of which has been filed here?

Mr. CAMERON. Yes.

The CHAIRMAN. You had that under consideration?

Mr. CAMERON. Yes; so that word came to the office of the association; I went over to see Mr. Babst, about 1 o'clock, the hour here or there I can not give; when I arrived I called Mr. Babst's attention

to this very fact, of what his intimations to me had been in the past, and what he had done at this time; I called his attention to the fact, and I said, "Do you realize, Mr. Babst, that this action is not in accordance with what you have already told me;" and also as to the number of brokers and families that run into thousands that are dependent upon this sugar brokerage business? He coolly said that they had thought that all over, and had decided to go ahead. Do you want the whole of that conversation?

The CHAIRMAN. Yes.

Mr. CAMERON. Personal matters, and everything?

The CHAIRMAN. Yes; if it has to do with this action.

Mr. CAMERON. All right. So while I was standing there speaking to him he said, in the presence of Mr. Crossmore, that he had noticed me, and that I had a generally good reputation on the street; that he thought that I was a very high-class man; and he asked me if I would consider being associated with his company; the greatest insult that I ever had in my life.

The CHAIRMAN. Associated in what way?

Mr. CAMERON. Simply to come in connection with his company; I did not know what position, but it was an offer to join the company if I wanted to; I took it to go back on the brokers. But nothing can buy my honor.

The CHAIRMAN. So that you did not make any deal?

Mr. CAMERON. I still have it under consideration. He took two years to consider the brokerage. I will take two years to consider if I would go with the American Sugar Refining Co.

The CHAIRMAN. That is all. I think that is all we want to ask you.

Mr. CAMERON. I would say, Senator, I had no idea that this last was coming up.

The CHAIRMAN. I heard of it, and I want to ask about it. I did not hear about it from you.

Now I believe that concludes these New York sugar men. There are some representatives from Mr. Hoover, here. I want to make a statement to them. We may go on with this sugar investigation at great length yet, and we may close at this point. There was a statement made by Mr. Hoover that he wanted to have called Judge Milling, and what is the name of the other man?

Mr. LAMB. Mr. Earle.

The CHAIRMAN. If these gentlemen want to be heard, the committee will hear them.

Mr. LAMB. Mr. Chairman, I would like to consult with the Food Administration officials in regard to that, and I will let you know some time during the day, or when you convene at 2.30 o'clock.

The CHAIRMAN. You will see to it, now, that it is not represented that we have shut you out?

Mr. LAMB. Oh, yes.

The CHAIRMAN. I know you will.

Mr. FREEMAN. Mr. Chairman, may I ask you about the communication Mr. Babst submitted to you last Friday and asked to be incorporated in the record?

The CHAIRMAN. Mr. Babst?

Mr. FREEMAN. Yes; I submitted to you a letter from him, and asked that it be made a part of the record.

The CHAIRMAN. There have been so many things, it absolutely escaped my memory.

Mr. FREEMAN. We are quite anxious to have it made a part of the record, and it contains information requested by the committee.

The CHAIRMAN. It contains some information that we requested while he was on the stand?

Mr. FREEMAN. Yes.

The CHAIRMAN. There are bushels of stuff coming in, and I remember, now, that you handed me a paper. We will be in session, and I am inclined to think that we will go very much deeper into this sugar proposition, but that is a matter to be considered by the committee, and I made this statement lest we might at this point drop it. We are going on with the coal matter this afternoon.

Mr. CAMERON. Senator, may I place in the record a copy of an article which appeared in the New York Journal of Commerce and Commercial Bulletin, with reference to a statement of Mr. Babst issued day before yesterday, stating that this action has affected only 140 brokers?

The CHAIRMAN. Yes.

Mr. CAMERON. I will very likely have an answer to that when I get back to New York.

Senator LODGE. Does it affect more brokers than that?

Mr. CAMERON. According to the notice in my paper up to the 1st of January, there are 304 brokers in our association. Those firms employ anywhere from 1 to 50 men each. A great many of those men are married. There are, besides our 304 brokers—there are over 700 outside, all through this country.

May I file a copy of our association book with you, so that you may see how it spreads all over the country.

The CHAIRMAN. Yes.

Mr. LAMB. Mr. Chairman, may I make a further statement?

The CHAIRMAN. Yes.

Mr. LAMB. There was some reference here at the last session of the sugar inquiry regarding an arrangement about some sugar handled through Mr. Rionda in New York, and it was referred to as an option or a contract, and the committee made a request of the Food Administration for such option or contract. I am advised that Mr. Rolph had the personal information in regard to that, and that there was no written document of any kind, and that he is prepared to send you a written statement of what the matter really was, if you care to have it.

The CHAIRMAN. Let him send it on. We will not trouble him to come here unless we need him. We are very much obliged.

Mr. CAMERON. That will show you the way we are situated all over the country. We have just had a firm come in from Seattle, Wash. Our commission is three-eights of 1 per cent on out of town sales and we often have to divide this with corresponding brokers through the country. Thank you very much.

(The article from the New York Journal of Commerce and Commercial Bulletin submitted by Mr. Cameron is here printed in the record in full as follows:)

EXHIBIT No. 247.

BABST JUSTIFIES CUTTING OUT BROKER—ISSUES STATEMENT ON ACTION TAKEN BY AMERICAN REFINERY—EFFORTS OF THIS CONCERN HAVE BEEN DIRECTED AGAINST SPECULATION, MANIPULATION, AND HOARDING, HE STATES—NO QUARREL WITH THE BROKERS PERSONALLY—FOLLOWING WILSON'S SUGGESTION IN ELIMINATION OF INTERMEDIARIES.

Earl D. Babst, president of the American Sugar Refining Co., yesterday issued a defense of the company's action in doing away with the services of sugar brokers and establishing a system of direct sales to the consumer, which brought forth a determined campaign on the part of the brokers to urge Mr. Babst's removal from the International Sugar Committee on the charge that the latter had employed unfair tactics in causing such a ruling to be made. A formal protest was drawn up by the National Association of Brokers in Refined Sugar directly upon the announcement by Mr. Babst. The substance of this protest was that Mr. Babst be withdrawn from the International Committee. The protest was sent to Herbert C. Hoover, United States Food Administrator. No reply was announced by the administration.

Considerable interest has centered in the discussion between the two factions, and a reply made yesterday by Mr. Babst justifies his action in eliminating intermediaries. Mr. Babst points to the words of President Wilson regarding the direct movement of all foods from the producer to the consumer as a criterion for his action. He states that he has no personal feeling against the brokers, but that he is swayed by the ideals set forth by President Wilson. V. B. Cameron, president of the National Association of Brokers in Refined Sugar, was in Washington last night, and consequently no word was forthcoming from him regarding the latest utterance of the head of the American Sugar Refining Co. His statement follows:

"This company has announced that it will hereafter sell refined sugars to the domestic trade by means of its own selling organization instead of through brokers. It is like using our own trucks instead of hiring from an express company. The sugar broker is a nonessential middleman. He neither buys, sells, produces, nor manufactures.

"The announcement that this company would deal direct with its customers has had widespread approval of the trade. We have as yet to receive a single letter of protest from a customer or consumer. The efforts of myself and my associates have been directed against speculation, manipulation, hoarding, and wasteful practices in the sugar business. In war-time stress we have sold our sugars at a lower average price than any of our competitors; at times as much as a cent per pound below them.

"We have no quarrel with the brokers personally. We regard the system of brokerage as nonessential. It is wholly incompetent to provide an equitable distribution of sugar. Sugar is too important a staple to feel the pinch of the unnecessary middleman. At the present time there are between four and five hundred persons in our selling organization. The change announced will affect but 145 sugar brokers out of the 700 in business. Obviously it is an economic waste for double machinery to be used in performing the same purpose. The policy stated in our public announcement was inaugurated several years ago. It has been effective in New England since the organization of the company. In the year 1917 it was applicable to about one-half of our business.

"In dealing directly with our own customers without the intervention of third parties this company is carrying out the policy of President Wilson, promulgated under the food-control act, 'to keep all food commodities moving in as direct a line and with as little delay as practicable to the consumer.' "

(Thereupon, at 1 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.)

SHORTAGE OF SUGAR.

MONDAY, JANUARY 14, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., pursuant to adjournment, in room 226, Senate Office Building, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, and Lodge. Senator Jones came in later in the morning.

TESTIMONY OF MR. SHELDON S. CLINE.

(The witness was sworn by the chairman.)

The CHAIRMAN. What position do you hold with the Evening Star?

Mr. CLINE. I am a reporter.

The CHAIRMAN. I will ask you to look at the article in the issue of January 8, which bears the heading "Hoarding of food threatens to keep allies in war," and ask you if you wrote the matter contained in that article?

Mr. CLINE. Yes; I wrote the article, Senator.

The CHAIRMAN. Without going into any details in the way of questioning, will you tell the committee where you got the matter or information which is contained in this article?

Mr. CLINE. Well, Senator, I can not be very specific. It came from different sources and at different times. Some of it has been public property for a long time—that is, public knowledge. Others was from my own observation. Some of those figures have been published previously. I cover the Food Administration locally and the National Food Administration, and I had been interested in the subject even before there was a Food Administration, so that I got it from different people at different times, and some of it was from my own observation of the food law. There were stories around town about hoarding food.

The CHAIRMAN. Now, let me see. Before you wrote this article did you have any interview with anybody connected with the Food Administration in regard to the policies of the administration?

Mr. CLINE. I had a talk with Mr. Hoover before I wrote the article. Let me explain this. I arranged to have a talk with Mr. Hoover with a view to writing a general story on what was necessary in the way of food conservation this year. When I talked with Mr. Hoover I had no expectation of publishing a newspaper report at this time about it, but I rather had the idea of a magazine story, and I discussed a great many things with Mr. Hoover along the line of food conservation and the needs of the allies—covered the whole field.

The CHAIRMAN. When did you have that talk?

Mr. CLINE. That was on Monday, the day previous to that.

The CHAIRMAN. This article appeared in Tuesday's paper, and on the Monday previous——

Mr. CLINE. I had had a talk with Mr. Hoover; yes.

The CHAIRMAN. And you went over the questions that you have just referred to?

Mr. CLINE. We went over the whole ground of the food situation in this country and in Europe. Let me make this plain. When Mr. Hoover talked with me, his understanding was, and my own understanding was, that this would be published maybe a couple of months from now as a magazine story or as a syndicate story. That is what I had in mind. On Tuesday morning Tuesday's paper had a story in which they spoke of the possibility of compulsory rationing, and because of that I decided to go ahead and write a news story on the subject.

The CHAIRMAN. There was an article that suggested rationing?

Mr. CLINE. Yes; in Tuesday morning's paper.

The CHAIRMAN. This is Tuesday's paper.

Mr. CLINE. This is the afternoon paper. On account of this story in the morning paper I decided to write a news story on it, and I did it without any further conference with Mr. Hoover at all. He did did not know that I was going to write it. You will find that story in the Post of Monday morning, that I refer to specially.

The CHAIRMAN. The Post of Monday morning?

Mr. CLINE. No, that was Tuesday morning.

The CHAIRMAN. We will see if we can get that Post of Tuesday morning.

Mr. CLINE. Mr. Hoover did not know I was going to write a news story until it has appeared, because I said nothing more to him about it.

The CHAIRMAN. I understand, but Mr. Hoover did expect you to write a magazine story? You told him you were figuring on that?

Mr. CLINE. Yes, as a general story.

The CHAIRMAN. And Mr. Hoover gave you some information and some ideas which he understood you were going to put in that article; is that right?

Mr. CLINE. Well, Senator, I had a lot of ideas, and I talked them over with him, and I suppose he did give me some new ideas. I had to abandon some ideas I had after talking with him.

The CHAIRMAN. After talking with Mr. Hoover, did you undertake to write an article that would fairly set forth his position, or did you undertake to write an article of a different nature?

Mr. CLINE. Well, that is rather difficult to answer, yes or no. When I wrote my story, I wrote the story on the situation as it appeared to me, amd I wrote it——

The CHAIRMAN. Well, as it appeared to you from what? Of course you were not trying to perform the functions of the Food Administrator? I just want to get at the facts about this thing.

Mr. CLINE. Yes.

The CHAIRMAN. And you were not undertaking to make a suggestion for the Food Administration without having gained those impressions first from Mr. Hoover, were you?

Mr. CLINE. Well now, Senator, I want to make this explanation. I made those suggestions that appeared in an article I wrote about a month ago, before I ever talked with Mr. Hoover about it.

The CHAIRMAN. Yes, but you did talk with Mr. Hoover about the necessity of legislation, did you not?

Mr. CLINE. I do not recall that that was touched on in our talk. What we talked about more than anything else was the necessity of more general compliance with the conservation program. I do not recall, Senator, that we discussed the subject of more legislation, at all.

The CHAIRMAN. Did Mr. Hoover express this idea to you in that interview:

If the food necessary to the winning of the war is to be provided, the American people will have to do better this year than they did last?

Mr. CLINE. Yes; he expressed that view to me.

The CHAIRMAN. Did he express the further idea that immediately follows:

And the law under which the United States Food Administration operates will have to be strengthened.

Mr. CLINE. No; I do not recall that Mr. Hoover said anything about the necessity of any legislation at all.

The CHAIRMAN. Very well; but you do know, do you not, that the Food Administration was asking such legislation, and you knew it when you were talking to Mr. Hoover?

Mr. CLINE. No; I did not understand that they had made a request for that then. I understand they have since made a request for such legislation. I did not know that they had made a request for such legislation then.

The CHAIRMAN. Now I come to the next sentence:

Retail grocers, regardless of their volume of business, will have to be brought under control of the Food Administration.

Mr. CLINE. Yes, sir.

The CHAIRMAN. Was that your idea or Mr. Hoover's?

Mr. CLINE. That was a suggestion I made in an article two months ago.

The CHAIRMAN. All right; but what did Mr. Hoover say about that?

Mr. CLINE. I do not remember Mr. Hoover mentioning that idea at all.

The CHAIRMAN. That is yours, then?

Mr. CLINE. Yes.

The CHAIRMAN (reading):

Hotels, restaurants, and other public eating places must be required by law to observe meatless and wheatless days and conform to other conservation rules.

Mr. CLINE. Yes; I think that was discussed by Mr. Hoover.

The CHAIRMAN. Was that Mr. Hoover's idea?

Mr. CLINE. I think I brought the subject up about that, and he said that thing would have to be attended to, to bring them in.

The CHAIRMAN. The next is:

Hoarding of food, even in private homes, must be forbidden.

Mr. CLINE. We discussed that fact, that there would have to be some way to get after people in some manner to keep them from

laying in stocks. His idea was that certain people had accumulated stocks and were keeping that in accumulation and still buying, and that that ought to be stopped in some way.

The CHAIRMAN. When you say you discussed it, you mean that Mr. Hoover expressed that idea?

Mr. CLINE. Yes; I think he said that people were doing that and something must be done to stop it. Now, I will tell you, I do not know whether he expressed the idea there or not, but that had been in their past bulletins, and everything, that more substitution must be done.

The CHAIRMAN. This follows:

The substitution urged as necessary to release foods required for over-seas shipment must be practiced generally instead of nominally.

Mr. CLINE. Yes.

The CHAIRMAN. Who said that, you or Hoover?

Mr. CLINE. I said that.

The CHAIRMAN. What did Mr. Hoover say?

Mr. CLINE. I do not remember what he said.

The CHAIRMAN. You do not recall that he said anything about that?

Mr. CLINE. I do not recall that he said anything about that specially.

The CHAIRMAN. I read further:

The great effort of the United States Food Administration since its creation last May has not been productive of the necessary results.

Who said that?

Mr. CLINE. I did.

The CHAIRMAN. Mr. Hoover did not say that?

Mr. CLINE. I do not recall that he did.

The CHAIRMAN. Did he express that idea at all?

Mr. CLINE. In general the idea, yes; that people have not conserved as much as they ought to.

The CHAIRMAN. What about this sentence?—

The American people have given lip service to the cause of food conservation, but they have not conserved. Their pledges have not been kept.

Mr. CLINE. That is my own language.

The CHAIRMAN. That is your own language, but was that idea expressed by Mr. Hoover?

Mr. CLINE. That follows the other idea, that they have not conserved as they were expected to.

The CHAIRMAN. So that you think you can say that Mr. Hoover expressed that idea to you, and that you fairly interpreted it in this article?

Mr. CLINE. I will say from things Mr. Hoover said that I believed he is convinced that is true, that they have not kept their pledges.

The CHAIRMAN. You got this impression from your talk with him?

Mr. CLINE. Yes.

The CHAIRMAN. I read the next sentence:

Unless America does what she has undertaken to do in the way of supplying Italy, France, and England with food, those countries will collapse, and America will face Germany alone.

Is that your idea?

Mr. CLINE. I think that is my idea.

The CHAIRMAN. You do not think that Mr. Hoover can be charged with that?

Mr. CLINE. No; I do not believe Mr. Hoover said that at all.

The CHAIRMAN. I suppose there is no idea in here that is more Hooveristic than that, because I think he has said that a million times.

Mr. CLINE. I do not doubt that, but in that interview I do not remember his saying that.

The CHAIRMAN. The next paragraph is:

There is no other way out. Their food resources are short of their absolute minimum requirements.

Did Mr. Hoover express the view to you that the allies were short of food?

Mr. CLINE. No, sir. In the morning papers of that day, we had this story from the food control of Great Britain, in which that idea was expressed.

The CHAIRMAN. Did you discuss that with Mr. Hoover?

Mr. CLINE. No; that was in the morning papers, the Tuesday morning papers.

The CHAIRMAN. Did you discuss that with Mr. Hoover?

Mr. CLINE. We discussed the general situation, and that we had to give them more than we had been giving them.

The CHAIRMAN. Then you discussed with Mr. Hoover the fact that the resources of the allies were short, and that they must have help?

Mr. CLINE. Oh, yes; I said that at the beginning.

The CHAIRMAN. That you say then had been expressed by Mr. Hoover?

Mr. CLINE. That opinion had been expressed by Mr. Hoover; yes.

The CHAIRMAN. The article proceeds:

It is not a great sacrifice which the Government, through Herbert Hoover, is asking the American people to make. In fact, it is no sacrifice at all. They would be better off physically and financially for eating as they are asked to eat.

Did Mr. Hoover express that idea?

Mr. CLINE. I think I got that from the home card issued by the Food Administration.

The CHAIRMAN. I supposed you referred to that in the talk with Mr. Hoover, did you not?

Mr. CLINE. No; I do not know that I did.

The CHAIRMAN. Let me get at this in all seriousness. Were you undertaking to write an article out of your own head, to advise the American people of what was going to take place, or were you trying as a reporter to gather your information from the source of the food information, Mr. Hoover, and to put that before the American people, or was it a conglomerate of both.

Mr. CLINE. That is a rather hard question to answer specifically. My business as a reporter is to print whatever the news is. The news of the day, following the development of the situation as cabled from England, was that the people were not saving enough food. It was my business to write the article and to tell that fact.

The CHAIRMAN. Your own thoughts you could hardly characterize as the news of the day. News of the day is something somebody else, an authority, would tell you about what was going to happen.

That would be the news of the day, would it not, or the fact that you learned from an authoritative source that something had happended?

Mr. CLINE. The statement of the facts as they exist we regard as the news of the day.

The CHAIRMAN. Of course, you may have gotten that from many sources. I continue to read from the article:

The American people eat 80 per cent more proteins (chiefly in the form of red meats, beans, etc.) than they require to maintain health. Ten per cent of this excess will meet the needs of the allies, leaving Americans 70 per cent more than they need.

Where did you get that?

Mr. CLINE. That statement came from Mr. Hoover, that and the other.

The CHAIRMAN (reading):

They eat 165 per cent more fats than they need. Ten per cent of this excess will supply the allies, leaving still an excess of 155 per cent for American consumption.

That is Hoover?

Mr. CLINE. Yes.

The CHAIRMAN (reading):

They eat 50 per cent more sugar than they need. Here again 10 per cent will give the allies the sugar they require, leaving still an excess of 40 per cent at home.

Is that Hoover?

Mr. CLINE. Yes.

The CHAIRMAN (reading):

With bread the situation is different. Americans as a rule do not eat an excess of bread, but they are asked to cut down their consumption of wheat 25 per cent and substitute corn and other cereals. They are not asked to eat less bread.

Is that Hoover?

Mr. CLINE. No; I do not recall that was brought up. That is in their general publications.

The CHAIRMAN. Then the following:

If they will do these things and will not hoard food, the requirements of the allies will be met, and they will be able to remain on the fighting line.

Is that from Mr. Hoover?

Mr. CLINE. That opinion was expressed by Mr. Hoover, yes.

The CHAIRMAN (reading):

If they will not meet these requirements, Pershing's troops will be driven out of Europe, and America will have to organize to repel the German invader from her own shores.

Mr. CLINE. That was my own interpretation.

The CHAIRMAN. That is the conclusion that you draw?

Mr. CLINE. Yes.

The CHAIRMAN (reading):

The Food Administration has not yet abandoned hope that the people will come to a realization of the gravity of the situation and will give voluntary cooperation, and will give it by deeds instead of by words.

Mr. CLINE. I think that is Mr. Hoover's expression, in substance.

The CHAIRMAN (reading):

If they will not, compulsory rationing would seem to be the only alternative.

Mr. CLINE. I think that was mine. I do not think Mr. Hoover said anything about compulsory rationing.

The CHAIRMAN. After Mr. Hoover told you the Food Administration had not yet abandoned hope that the people would come to a

realization of the gravity of the situation, but would give voluntary cooperation by deeds instead of by words, did you then go into your own head for the idea that if they will not, compulsory rationing will result?

Mr. CLINE. The idea of compulsory rationing did not originate in my head.

The CHAIRMAN. Where did you get it—from talking to Mr. Hoover?

Mr. CLINE. No; that idea was in the morning papers, as I said to you. Everybody had been talking about compulsory rationing.

The CHAIRMAN. I had not heard any same man really propose it for the American people up to this date, and that is why this article was so striking, and I want to know whether Mr. Hoover directly or indirectly suggested as an alternative the compulsory rationing of the American people?

Mr. CLINE. No; to the best of my recollection, Mr. Hoover did not say anything about compulsory rationing at all.

The CHAIRMAN. What was it that made you put those words in there? I know you are a good newspaper man, and I know that you do not make things up.

Mr. CLINE. From my general knowledge of the food situation, as I gathered it from Mr. Hoover and from other sources.

The CHAIRMAN. What other sources?

Mr. CLINE. Around town you hear people boasting that they have got a big stock of flour or a big stock of sugar and are laying in supplies, and the fact that we have not saved.

The CHAIRMAN. Do you know a family in town that has 50 pounds of sugar?

Mr. CLINE. Not now, personally.

The CHAIRMAN. Do you know a family in town that has 100 pounds of flour?

Mr. CLINE. No; I could not say that I know personally a family that has 100 pounds of flour.

The CHAIRMAN. We do not want to get anything in here that is opinion, but as a matter of fact when you speak about any large amount of hoarding you do not know any facts, do you? Of course, I agree that a man could get 50 pounds of flour, if that is hoarding, but do you know of any facts on which to base a statement that there is a large amount of hoarding in the families of Washington?

Mr. CLINE. If you are asking for specific instances, I can not recall any now. I know of people who have said that they had 100 pounds of sugar, that they bought 100 pounds of sugar when the scare came on, and I have heard other people say that they got a barrel of flour and that they were going to hold it for an emergency.

The CHAIRMAN. You do not think there is much of that, do you?

Mr. CLINE. I do not think there is much of it going on now, for I do not think that you can get it.

The CHAIRMAN. Now I continue the reading:

> The necessity for bringing retailers under control of the food administration lies in the fact that they are guilty of whatever profiteering is being practiced to-day.

Did you get that idea from Mr. Hoover?

Mr. CLINE. I got an idea from Mr. Hoover that in some places retailers were practicing profiteering, and also by examining the chart in the office of the statistician, Dr. Pearl, I saw that the wholesale prices indicated that the wholesale prices were coming down.

The CHAIRMAN. Where did you get this——

Mr. CLINE. Let me finish this. But I have been working with Mr. Clarence Wilson, the local food administrator, and getting up for the newspapers a list of prices which will be started in the publications to-morrow, and I have been examining the reports that came in there, which show the price the wholesalers pay and the prices they sell for to retailers, and reports from retailers as to the price they pay and the price they charge consumers, which show very plainly that some retailers are charging a great deal wider margin of profit than others, whereas wholesalers universally are doing business on a narrow margin of profit.

The CHAIRMAN. I do not care to go into the merits of the matter. The question I am asking is this, whether Mr. Hoover expressed the the idea that the retailers ought to be brought under control.

Mr. CLINE. Mr. Hoover expressed the belief that the retailers were guilty of profiteering.

The CHAIRMAN. Did you have any remedy to suggest?

Mr. CLINE. I do not know. I think I suggested to him that something would probably have to be done about that, and as I recall, he he said that it was a matter that certainly would have to have some kind of attention. That is as near as I can remember.

Senator VARDAMAN. Mr. Chairman, may I interrupt there to ask if you and Mr. Hoover think that a family buying a barrel of flour is doing something in the nature of hoarding? Is that an excessive amount to purchase?

Mr. CLINE. In the last paragraph of this story, I think it is the last paragraph, I explain what I meant by the people who bought a barrel of flour and 100 pounds of sugar, who were not in the habit of doing that, and who then continued to buy to meet their current requirements, holding the barrel of flour and the 100 pounds of sugar for some future emergency. That is hoarding, removing it from the common stock of food.

Senator VARDAMAN. Do you not think it would be prudent for the ordinary family, if they had the money to buy it, to buy a barrel of flour instead of buying it in smaller quantities?

Mr. CLINE. Yes, indeed; and I think there would be no objection to that, if they bought their barrel of flour and then used it until it was gone or about gone and then bought another barrel of flour; but to buy a barrel of flour and then continue to buy, to hold this barrel in reserve, would remove it entirely from the common food stocks.

The CHAIRMAN. I read on:

> Reports show that since wholesalers were placed under license November 1, prices to retailers have come down with a rush. The retailers have not made corresponding reductions to consumers.

Where did you get that information, from Mr. Hoover?

Mr. CLINE. No, I got that information as to the wholesalers from the charts in Dr. Pearl's office.

The CHAIRMAN. And who is Dr. Pearl?

Mr. CLINE. He is one of the statisticians for the Food Administration.

Senator VARDAMAN. We had him here.

Mr. CLINE. And also from reports submitted to the office of Mr. Wilson, the local food administrator, and the information as to retailers not having come down to meet those prices I get from my

own knowledge when I buy for my family, and also from reports from retailers to Mr. Wilson's office.

The CHAIRMAN. Dr. Pearl is connected with the Food Administration?

Mr. CLINE. Yes.

The CHAIRMAN. I continue to read:

The necessity for bringing hotels and restaurants under control is that, while some practice conservation, others do not. Some hotels in Washington, it is said, are flagrant offenders.

Did you get that at the Food Administration?

Mr. CLINE. The first part of that I got from Mr. Hoover. The other part I got from discussing the matter with Mr. Wilson.

The CHAIRMAN. I read a little further:

Home hoarding threatens to defeat the whole food conservation program unless it is stopped.

Did you get that from Mr. Hoover or from the Food Administration?

Mr. CLINE. I got it in part from Mr. Hoover. I think he discussed that. I got it from other people up at the Food Administration.

The CHAIRMAN. You got it in part from Mr. Hoover?

Mr. CLINE. Yes.

The CHAIRMAN. Then Mr. Hoover must either have acquiesced in this idea or disagreed to it, because there is only one idea in it.

Mr. CLINE. Yes. He did not disagree with the idea.

The CHAIRMAN. You got it there, did you not, in fact?

Mr. CLINE. Yes.

The CHAIRMAN. I read further:

Thousands of families which signed the food pledge and observe meatless and wheatless days, are hoarding food.

Did you get that down at Mr. Hoover's?

Mr. CLINE. I do not know that Mr. Hoover said that thousands of families did that. That couples up with the statement above that, that that situation exists. I do not recall that he said those things.

The CHAIRMAN. How did Mr. Hoover and the Food Administration know that?

Mr. CLINE. I imagine they get reports of what is going on over the country the same as the papers do.

The CHAIRMAN. Do they get reports from the families?

Mr. CLINE. I do not know.

The CHAIRMAN. But you got this idea in this article in talking with Mr. Hoover?

Mr. CLINE. I had this idea before I went to see him.

The CHAIRMAN. Did you get it from him there?

Mr. CLINE. I think Mr. Hoover agreed that there was an alarming amount of the kind of hoarding I describe down below there in the article.

The CHAIRMAN. And that the families that had taken the pledges did not always observe them?

Mr. CLINE. That is it.

The CHAIRMAN. I read on:

Families which never did so in the past have bought a barrel of flour and a hundred pounds of sugar, and they are keeping that much ahead of their needs by continuing to buy the amounts required for current consumption.

You have already said that you do not know that fact yourself?

Mr. CLINE. Current reports.

The CHAIRMAN. You have that impression. Did you get any of that information down at Mr. Hoover's?

Mr. CLINE. No; I do not recall that I got that from Mr. Hoover at all.

The CHAIRMAN (reading):

Each barrel of flour and each hundred pounds of sugar so hoarded is removed as absolutely from the nation's stock of food as if it had been destroyed. If each family in America laid in a barrel of flour and a hundred pounds of sugar it would amount to withdrawing from the common store two months' supply of those necessary foodstuffs—and Germany would win the war.

Did you get that idea from Mr. Hoover; did you talk that over with him?

Mr. CLINE. We touched on that. I talked to several officials of the Food Administration about what this would amount to, and that was their estimate on that.

The CHAIRMAN. You discovered that down at the Food Administration?

Mr. CLINE. Yes.

The CHAIRMAN. And you really submitted that idea, and got it O. K.'d in the Food Administration before you put it out to the public, did you not? You tried to write an accurate article from the information that you got there?

Mr. CLINE. From the information I was getting there and at other places.

The CHAIRMAN. I want to get at the fact, whether this idea that is expressed in the language I last read was either suggested to you or, being suggested to you, was O. K.'d by the Food Administration, and I mean by that individuals connected with the Food Administration?

Mr. CLINE. Yes; I think that is true.

The CHAIRMAN. And Mr. Hoover acquiesced in these ideas himself, did he?

Mr. CLINE. You are speaking of this specific one idea?

The CHAIRMAN. No; the final conlusion you come to, that unless we carried on this food conservation, unless we get families to quit hoarding we will lose the war.

Mr. CLINE. Yes; I think I can say Mr. Hoover acquiesced in that idea.

The CHAIRMAN. Very well; I think that is all.

Senator LODGE. I want to ask you one question, Mr. Cline. Can you give me the name of any dealer in Washington who will sell 100 pounds of sugar or a barrel of flour to anybody?

Mr. CLINE. I never have heard of any limit on the amount of flour that you could buy. I do not think that you can buy 100 pounds of sugar now, because they have issued a regulation forbidding it.

Senator LODGE. You are more fortunate than I am. I have found difficulty in getting 3 pounds or 5 pounds of sugar.

Mr. CLINE. I say they issued a regulation——

Senator LODGE. You say there that families are buying a hundred pounds of sugar and barrels of flour. I should like to know where they get those—not that I want to do it, but I should be glad to know that it exists in such quantities.

Mr. CLINE. They go from store to store and buy some here and some there. I know that is done.

Senator VARDAMAN. But you do not think the average family in this city is provided with 30 days' rations?

Mr. CLINE. No; I do not think so.

Senator VARDAMAN. I do not think so, either, and if they are buying sugar, you suggest it because they can not get more than 2 pounds at one place, and they go to another. Now, with respect to the hotels and restaurants not observing the orders or requests of Mr. Hoover, I suppose you take your lunch in some of these places, and do you find any extravagance in the use of sugar there?

Mr. CLINE. I take my lunch at the restaurant that the Star newspaper runs for its own employees, and we have not had any extravagance there. We have been having brown sugar in our coffee lately.

Senator VARDAMAN. I find it is pretty hard to get enough.

The CHAIRMAN. In connection with this article which appeared in the Evening Star of January 8, I desire to place in evidence a bulletin that was issued by the United States Food Administration on July 11, for release in the morning papers of January 12, which is very much in line with the article written by Mr. Cline.

Senator LODGE. That was a coincidence.

(The bulletin referred to was marked "Exhibit No. 250," and is herewith printed into the record as follows:)

EXHIBIT No. 250.

[U. S. Food Administration, Washington, D. C. No. 580. For release for morning papers of January 12, 1918. January 11, 1918.]

The United States Food Administration to-night issued the following:

It is true that the allies need from 75,000,000 to 90,000,000 bushels more American wheat. It is also true we have already exported the theoretical surplus of last harvest over our normal consumption. The American people have saved a considerable amount, estimated from 25,000,000 to 50,000,000 bushels during the past five months, and we are exporting this saving.

We can not and will not export more than our savings, for our own peolpe must also be fed. The allies have reduced the bread ration to their people sharply the last few days, and if this lowered ration is to be maintained we must save more than hitherto.

Every grain of wheat and every ounce of flour and bread saved now is exactly that amount supplied to some man, woman, and child amoung the allies.

We are asking the American people to further reduce their consumption of wheat products and use other foodstuffs instead, for the allies must also have some wheat as well as ourselves. It is one of the vital issues in winning the war that we must maintain the health and strength and morals of their men, women, and children over this winter.

Our 48 State food administrators have been in session in Washington the last few days devising with us a further program of saving which we will announce in a few days, in which we count with confidence on public support.

The allies are also asking us if we can double our meat and pork products export, as they must in England, France, and Italy further reduce their meat and fat ration unless we can increase exports. We have replied that we will ask our people to save more, for we can only export our savings.

There need be no fear that our supplies will not be protected, and if, as a result of misapprehension, anyone should attempt the purchase of foodstuffs for hoarding, it will be robbing the allies of just that amount and is a violation of the food law that will be followed up sharply. We have ruled that the holding of more than 30 days' supplies by dealers, manufacturers, wholesalers, and retailers constitutes hoarding, and the purchase of more than usual amounts by consumers will likewise be so construed.

We are going to ask the millions of devoted women who support the Food Administration to see that our new proposals are carried out on every side. In this we are

taking a line unique among nations and with the confidence that in them we have a power for enforcement and through our press of the creation of public opinion greater than among any other people on earth. Legislation is being considered by Mr. Lever and Senator Pomerene for presentation to Congress for some further extension of the President's powers to enforce conservation in manufacturing trades and in public eating places. Although the majority have cooperated willingly and effectively, there is a minority which patriotic appeals do not seem to reach. With such regulation there will be no shortages, and equal justice to all. There is no need for rationing in America.

The CHAIRMAN. I call your attention to the following language as contained in the bulletin:

We are going to ask the millions of devoted women who support the Food Administration to see that our new proposals are carried out on every side. In this we are taking a line unique among nations, and with the confidence that in them we have a power for enforcement and through our press of the creation of public opinion greater than among any other people on earth. Legislation is being considered by Mr. Lever and Senator Pomerene for presentation to Congress, for some further extension of the President's power to enforce conservation in manufacturing trades and in public eating places. Although the majority have cooperated willingly and effectively there is a minority which patriotic appeals do not seem to reach. With such regutation there will be no shortages, and equal justice to all. There is no need of rationing in America.

That is flatly in the teeth of this article, which appeared three days earlier, or of your statement in the article, that rationing may be necessary. In the meantime, however, attention had been called to the article by the committee, and it may have caused a change of heart; but outside of that the newspaper article seems to be strictly in consonance with this bulletin.

Mr. CLINE. I do not see any suggestion in there of retailers.

The CHAIRMAN. Yes; wholesalers and retailers.

Mr. CLINE. I mean with reference to the legislation.

The CHAIRMAN. I do not know that it is proper for me to make any comment on this, but I can imagine nothing that would be more dangerous than to put the American public in a position where neither manufacturers nor wholesalers nor retailers nor all combined would have 30 days of food supply for the American people. A snow blockade might set up starvation. That is all, Mr. Cline. We are much obliged to you.

TESTIMONY OF MR. ANDREW Y. BRADLEY.

(The witness was sworn by the chairman.)

The CHAIRMAN. You reside in Washington?

Mr. BRADLEY. I do, sir.

The CHAIRMAN. You are a newspaper correspondent?

Mr. BRADLEY. I am a reporter on the Washington bureau of the New York Herald.

The CHAIRMAN. I have not the New York Herald article. I am informed that the article which I hand you from the Washington Post under date of January 12 is an article which was reproduced from the Herald bureau. Is that correct?

Mr. BRADLEY. I think this article was forwarded from New York by wire to the Post. The Herald bureau here supplies the Washington Post with news, but on this particular occasion they did not get the copy which was put on the hook for them, and I suppose they got it direct from New York.

The CHAIRMAN. Taking that article, I will ask you to examine it I want to know if that is the same article that appeared in the New York Herald?

Mr. BRADLEY. I can not say exactly as to that, Senator, because I have not compared the two articles.

The CHAIRMAN. Read it over and tell us whether it is substantially the same. Of course, I can send for the Herald. I have sent for it, but it is not here yet.

Mr. BRADLEY (after examining article). That portion of the article which precedes the quoted paragraphs is a reproduction of the Herald articles written by me.

The CHAIRMAN. That is, you mean, the article down to the sentence: "We are asking the American people to further reduce their consumption of wheat products," etc.?

Mr. BRADLEY. Yes, sir; that is correct.

The CHAIRMAN. That was written by you?

Mr. BRADLEY. Yes, sir.

(The article identified by the witness was marked "Exhibit 251," and is here copied into the record in full, as follows, the same being from the first column of the Washington Post for Saturday, January 12, 1918:)

EXHIBIT No. 251.

MONTH'S FOOD LIMIT—HOLDING GREATER SUPPLY MADE UNLAWFUL BY HOOVER—PUNISHABLE BY FINE AND JAIL—APPLIES TO CONSUMERS AS WELL AS TO RETAILERS AND WHOLESALERS—IN EFFECT IMMEDIATELY—ALLIES NEED 90,000,000 BUSHELS MORE OF WHEAT DESPITE SAVINGS OF AMERICAN PEOPLE—ALSO MORE MEAT PRODUCTS—PEOPLE URGED TO SAVE MORE—NOT TO BE RATIONED.

No one in the United States will be permitted hereafter to hold more than 30 days' supply of any kind of foodstuffs, under an order made public yesterday by the Food Administration. This order goes into effect immediately, and applies to consumers, manufacturers, and wholesale and retail dealers.

Any person who violates this order makes himself liable to criminal prosecution, and if convicted to a fine of not more than $5,000 or imprisonment for not more than two years, or both.

In spite of the fact that the people of the United States have saved between 25,000,000 and 50,000,000 bushels of wheat during the last five months, and thereby have enabled the Government to export an amount equal to the estimated surplus of the last harvest, the allies of this country need between 75,000,000 and 90,000,000 bushels more of American wheat.

EXPORTING ONLY SAVINGS.

The Food Administration asserts that exports have been restricted to savings, and gives assurance that this practice will be strictly adhered to, but it appeals urgently to every citizen of this country to reduce his consumption still further, that the amounts of exports to our allies may be increased.

In addition to the increased demand for wheat, England, France, and Italy have appealed to the people of the United States to double the amount of meat and pork heretofore shipped to them.

We are asking the American people to further reduce their consumption of wheat products and use other foodstuffs instead, for the allies must also have some wheat as well as ourselves. It is one of the vital issues in winning the war that we must maintain the health and strength and morale of their men, women, and children over this winter.

ALLIES WANT MORE MEAT.

The allies are also asking us if we can double our meat and pork product exports, as they must in England, France, and Italy further reduce their meat and fat rations unless we can increase exports. We have replied that we will aks our people to save more, for we can only export our savings.

There need be no fear that our own supplies will not be protected, and if, as a result of misapprehension, any one should attempt the purchase of foodstuffs for hoarding, it will be robbing the allies of just that amount and is a violation of the food law, that will be followed up sharply. We have ruled that the holding of more than 30 days' supplies by dealers, manufacturers, wholesalers, and retailers constitutes hoarding, and the purchase of more than usual amounts by consumers will likewise be so construed.

PRESIDENT'S POWER TO BE EXTENDED.

Legislation is being considered by Mr. Lever and Senator Pomerene for presentation to Congress for some further extension of the President's power to enforce conservation in manufacturing trades and in public eating places.

Although the majority have cooperated willingly and effectively, there is a minority which patriotic appeals do not seem to reach. With such regulation there will be no shortages, and equal justice to all. There is no need of rationing in America.

The CHAIRMAN. Where did you get the information from which you wrote the part of the article that you did write?

Mr. BRADLEY. I got it from what is called the handout given out by the Food Administration—that is, the printed statement that is given out by the Food Administration.

The CHAIRMAN. Have you with you the article that they gave out?

Mr. BRADLEY. No, sir. I think it is the one from which you were reading just a short time ago.

The CHAIRMAN. I do not find in it this sort of statement:

No one in the United States will be permitted hereafter to hold more than 30 days' supply of any kind of foodstuffs.

There is a statement that—

We have ruled that the holding of more than 30 days' supplies by dealers, manufacturers, wholesalers, and retailers, constitutes hoarding.

Mr. BRADLEY. There is a further sentence also, Senator.

The CHAIRMAN (reading):

And the purchase of more than usual amounts by consumers will likewise be so construed.

All that I desire to get at is that you got the substance of what is in this article out of the matter that was given out by the Food Administration, "Exhibit 250," here. We did not have that when we summoned you; but it appears that substantially what you have said is in that document, and that is the source of your information, is it?

Mr. BRADLEY. That is the article on which, together with the provision of the food-control law quoted in the second paragraph of my story, I based my story.

The CHAIRMAN. Where did you get the part of this article that is quoted here and that you say you did not write, which begins with:

We are asking the American people to further reduce their consumption of wheat products.

Mr. BRADLEY. That is quoted from this Exhibit No. 250.

The CHAIRMAN. Also?

Mr. BRADLEY. Yes, sir.

The CHAIRMAN. The fact of the matter is, you got your whole article from Exhibit 250, changing the language in some respects, but trying to write an article which fairly represented the matter given to you?

Mr. BRADLEY. Yes, sir. The difference between the statement in Exhibit 250 and the statement in the article appearing in the Post is attributable to my interpretation of the effect of the statement.

The CHAIRMAN. Did you have any talk with Mr. Hoover before you sent out this article?

Mr. BRADLEY. No, sir. I have only talked to Mr. Hoover four or five times during the entire time he has been here.

The CHAIRMAN. Did you have any talk with anybody connected with his office?

Mr. BRADLEY. No, sir. Well, I will not say that. I did not ask anybody about this article. I suppose that is what you meant, of course.

The CHAIRMAN. Yes—that is, about this article, or the substance of what you put into this.

Mr. BRADLEY. No, sir.

The CHAIRMAN. That is all.

(The subcommittee thereupon proceeded to hear witnesses on the subject of coal, after which it adjourned.)

38464—18——60

SHORTAGE OF SUGAR.

TUESDAY, JANUARY 15, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., pursuant to adjournment, in room 226, Senate Office Building, Senator James A. Reed presiding.

The CHAIRMAN. Maj. Augustus P. Gardner, the son-in-law of Senator Lodge, died last night. Senator Lodge is a member of this subcommittee, and the other members of the committee feel that under the circumstances they ought not to have any hearings to-day. The committee will therefore stand adjourned until to-morrow morning at 10.30 o'clock.

(Accordingly, at 10 o'clock and 35 minutes a. m., the subcommittee adjourned until to-morrow, Wednesday, January 16, 1918, at 10.30 o'clock a. m.)

SHORTAGE OF SUGAR.

WEDNESDAY, JANUARY 16, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., pursuant to adjournment, in room 226, Senate Office Building, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, Jones, and Kenyon.

The subcommittee proceeded to hear witnesses upon the subject of coal until 3 o'clock p. m., when the following witness upon the subject of sugar was heard:

TESTIMONY OF MR. GEORGE H. EARLE.

(The witness was sworn by the chairman).

The CHAIRMAN. Mr. Earle, you reside where?

Mr. EARLE. Philadelphia.

The CHAIRMAN. You are a sugar refiner?

Mr. EARLE. Partly. I had a litigation with the American Sugar Refining Co. and got a plant that they had taken from the Real Estate Trust Co., which caused its failure, and that case was tried in the United States court, and I ultimately won, and I then had to take care of the plant.

The CHAIRMAN. Then you were not a sugar refiner?

Mr. EARLE. No.

The CHAIRMAN. What was your business?

Mr. EARLE. I was president of a trust company in Philadelphia and of some other concerns.

The CHAIRMAN. You have been a financier?

Mr. EARLE. Yes.

The CHAIRMAN. You had no experience with the sugar business until you took over this plant?

Mr. EARLE. I have been a lawyer, and some concerns got into trouble. The court wanted me to fix them up, and they turned out successfully, and I was appointed by the court in this matter. I had litigation with the American Sugar Refining Co. and first lost the case, and my counsel refused to take an appeal, and I appealed and came down and argued it and got a settlement of about $3,000,000 in this plant, and then I had to make some use of it.

The CHAIRMAN. Did you say $3,000,000 and the plant?

Mr. EARLE. No; altogether it amounted to that.

The CHAIRMAN. When was it you got possession of the plant?

Mr. EARLE. In 1911. Then we had other people manage it, and I finally had to take over the management.

The CHAIRMAN. When did you take over the active management?

Mr. EARLE. About three years ago, I should say.

The CHAIRMAN. So that whatever experience you have had in the sugar business has been practically during the last three years, I presume?

Mr. EARLE. Of course I was on the board, but not in real control of it from the time we got it, which was the 27th of January, 1912.

The CHAIRMAN. Have you any connection now with the American Sugar Refining Co.?

Mr. EARLE. No; except that they are our chief rival.

The CHAIRMAN. Have you any connection with any other refining company?

Mr. EARLE. No; not with the refining companies. I buy sugar, that is all. We are independent of everybody, except that we have to get our raw supplies.

The CHAIRMAN. And you buy some of your supplies, do you, from the Hawaiian producers?

Mr. EARLE. We buy from them and from everybody.

The CHAIRMAN. Is it not your company that has some contract or arrangement with the company of which Mr. Rolph used to be the head in California?

Mr. EARLE. We buy nearly all of the sugar they send east.

The CHAIRMAN. There are two companies. There is a company of Hawaiian planters or producers of raw sugar; then there is a company that refines the sugars in California. Did you have your contract with the producing company or did you have it with the refining company?

Mr. EARLE. We met a lot of gentlemen in New York. This is all I know: The American Sugar Refining Co. had this contract, and for some reason or other it was not satisfactory, and we received a communication from a New York broker asking us if we would not like to buy some Hawaiian sugars, and we met some gentlemen who said that they represented the Sugar Factors' Co. of Hawaii, and they told us that they would give us the same contract that the American Sugar Refining Co. had rejected. I told them I would rather make up their sugar on a toll, which they rejected, and we then subsequently said we would take half of it if they would get somebody else to take half.

The CHAIRMAN. When was this, now?

Mr. EARLE. This was a little over two years ago. The contract was for two years, and it has just been renewed—well, not just; some time ago it was renewed for another year.

The CHAIRMAN. Before you had this contract—that is, the company that you represent—by the way, what is your company?

Mr. EARLE. The Pennsylvania Sugar Co.

The CHAIRMAN. Before the Pennsylvania Sugar Co. made this contract for one-half of the Hawaiian sugars that were sent East from the Factors' Company, you say they had a contract with the American Sugar Refining Co.

Mr. EARLE. Of course I can only speak from what I was told. I was no party to that, but I understood that the American had had it a great number of years, and upon Mr. Babst becoming president they felt that it was an undesirable contract; and these gentlemen then offered us I think the whole of it, and we were not a very large or important concern then—we are now—and we took half.

The CHAIRMAN. What sugar broker was it that negotiated that deal?

Mr. EARLE. Mr. Breaker. I do not think he is in the sugar business at all now. I think he was trying to start in the sugar business, and he heard of this, and told our sales agent, and then we were brought together.

The CHAIRMAN. You have had this contract about three years?

Mr. EARLE. It has run two years. It is now just beginning the third.

The CHAIRMAN. What did you get out of it the first year—how much sugar?

Mr. EARLE (to Mr. McCarthy). Will you give us those figures?

Mr. MCCARTHY. One hundred and sixteen thousand the first year.

The CHAIRMAN. And how much did you get the next year?

Mr. EARLE. You can get that from Mr. McCarthy.

Mr. MCCARTHY. About one hundred and twenty.

The CHAIRMAN. How much did you receive thus far this year?

Mr. EARLE. None.

The CHAIRMAN. Now, so that I am sure I understand, has this sugar year begun yet?

Mr. EARLE. It begins, I think, with the 1st of January. I think some has started, but none has arrived of this year's crop.

The CHAIRMAN. So you received 116,000 during the sugar year which began on the 1st day of January, 1916, and ran until the 1st day of January, 1917. Then you received 120,000 during the year that began on the 1st day of January, 1917, and ran until the 31st day of December, 1917?

Mr. EARLE. That is substantially correct. You can break it off at any point; but it is for a crop, and it might lap over a few days, or it might stop early.

The CHAIRMAN. Oh, yes. So that you have been receiving sugars under this contract during the present so-called sugar shortage—and it is a sugar shortage?

Mr. EARLE. Yes, sir. It has been one of the few reliefs the situation has had.

The CHAIRMAN. Can you tell me by months how your sugar arrived from California?

Mr. EARLE. We can, easily.

The CHAIRMAN. Have you the figures available and with you?

Mr. EARLE. I brought my superintendent, who can get them for you, I am sure.

The CHAIRMAN. Has he them with him?

Mr. HOODLESS. They are at the hotel. We will bring them down.

Mr. EARLE. I will see that you get them, Senator.

The CHAIRMAN. I wish you would give us the actual tonnage arriving each month during each of these years.

Mr. EARLE. I will be very glad to.

The CHAIRMAN. You seem to have received a little more sugar this year than you did last year.

Mr. EARLE. It varies with their crop.

The CHAIRMAN. I understand.

Mr. EARLE. Their crop this year has been much better. Next year, unfortunately, it is going to be much worse.

The CHAIRMAN. But it is much better this year?

Mr. EARLE. The year that has just ended, it has been better.

The CHAIRMAN. When did you commence to get your Hawaiian sugars in the year 1917—beginning with the 1st of January, 1917?

Mr. EARLE. I will have to ask these gentlemen.

Mr. HOODLESS. Early in February.

Mr. EARLE. We will verify all this from the records if you gentlemen desire it.

The CHAIRMAN. You began to get your Hawaiian sugars in, then, along in the month of January, 1917. Now, when is the principal part of your sugars delivered? Can you tell me that?

Mr. EARLE. They are delivered pretty regularly until toward the end of the year; then from November on we get very little. Then they begin about in February again.

The CHAIRMAN. Did you make any particular effort to get sugars from the Factors' Company this last year?

Mr. EARLE. We took all that they shipped; yes.

The CHAIRMAN. Yes; but did you make any effort to get them increased?

Mr. EARLE. No.

The CHAIRMAN. Who is the manager of the Factors' Company now?

Mr. EARLE. I think a Mr. Brown.

The CHAIRMAN. Was Mr. Rolph formerly the manager of that company?

Mr. EARLE. Mr. Rolph, I understood, resigned when he took his new position.

The CHAIRMAN. Who is the manager of the refining company in California that refines to Factors' sugar?

Mr. EARLE. I think Mr. Brown is.

The CHAIRMAN. He succeesed Mr. Rolph in both of those places?

Mr. EARLE. I think he is in charge. I just have that general impression. We never had any relations with Mr. Rolph or Mr. Brown; it was these New York agents.

Mr. MCCARTHY. Senator, if I may remind Mr. Earle, he is talking about the refiners' company in San Francisco.

Mr. EARLE. Who are you talking about?

Mr. MCCARTHY. The Factors' Co. (Ltd.). Mr. Rolph has had no connection with that.

Mr. EARLE. I think the Senator understands that.

Mr. MCCARTHY. We have not had anything to do with it.

Mr. EARLE. We have had no dealings with Mr. Rolph at all or Mr. Brown. I have met them both.

The CHAIRMAN. That was not important. I did not mean to drag it in. I was just trying to connect up the history of the matter, that is all.

Mr. EARLE. I understood you perfectly, Senator.

Mr. ROLPH. Mr. A. N. Nowell is the manager of the sugar company.

Mr. EARLE. I want to get this information for you, and it seemed to me better to ask these gentlemen rather than say I do not know.

The CHAIRMAN. Certainly; that is all right.

Mr. EARLE. I know nothing about the manufacturing company out there at all. I have dealt with gentlemen who live and have their offices in New York.

The CHAIRMAN. Mr. Hoover requested that you be asked to come and testify, and I am going to say to you now that the committee

will be glad to have you make any statement that you desire pertinent to the matters before us.

Mr. EARLE. Senator, that is very handsome of you, and I feel under obligations to help you in any way I can. I hardly know Mr. Hoover. I met him once before this morning, and I went and asked him this morning why he asked that I should be examined, and he said because I was in such an independent position that he thought I probably would not be biased by the different conflicts and would be of some service, so I have gone along with this matter.

It is really quite difficult for me to collect my thoughts, and what I would like to say to you is that when we are away from Washington we rather feel that you gentlemen do not treat us well. When I get down here, I feel that you are not treated well. I feel that you are not given unprejudiced and unbiased information, and if you make mistakes it is pretty well up to people who have special interests and do not give you what you are entitled to. In that way I may be of some service to you. If I am not, I want you to point out in what way I can be.

I have looked over the testimony since I have been here as well as I could read it, and you are not given accurate information, and I think you would like to know it and, like me, when I make a statement of that kind, to verify it if possible. I am sure that is what you all want.

The CHAIRMAN. That is right.

Mr. EARLE. I would advise anybody to look with suspicion upon all these prepared statements. The sugar situation is the most uncertain thing in the world. We have lost $350,000 on a single cargo between the time we bought it in Cuba and the time it got here. We will make as much on a cargo. You really never know where you stand, because the figures are so enormous that fractions of cents make a tremendous difference. A gentleman once said to me that he never knew what a fraction meant until he got into the sugar business. A fraction of a cent may mean a fortune, or it may mean a loss. If you will take the actual returns on these things, you will find that that is the case.

In addition to that, Senator—and if I am boring you I want you to tell me——

The CHAIRMAN. Go ahead, sir.

Mr. EARLE. In addition to that, there is another great danger. The figures that you gentlemen are given are the most unreliable estimates. Sugar starts to grow, and if you have very rainy weather it grows like wild, and it looks like an enormous crop. If you have dry weather, it looks like it was going to be a failure. Rainy weather comes on, and it grows in a short time in Cuba in the most marvelous way. When you get up near the end of the year you can take your oath on pretty nearly anything you please. Now, I am just going to illustrate to you gentlemen how little guidance you really have had by giving you the actual results against some of the testimony that was put in here. What I want to warn you against is just that thing.

I have some testimony here. Then there are some statements, as I see in looking over this, that were put in as coming from and no doubt were given to you as chairman of this committee as coming from Willett and Gray, and Willett and Gray say just exactly the

opposite; and yet they are in these records as Willett and Gray's figures, and they are totally misleading. I see, upon glancing over this book as far as I could read it, that both you and Senator Lodge have said that the committee acknowledged the great shortage, so I need not go into that; but one of the first charges that I come across in pursuing this matter—and it is a serious charge, too—is that there was a normal supply, a normal demand, and all the trouble arose from interference from outside sources.

Now, I am not prejudiced on that subject. I want you to understand that I thoroughly agree with you and Senator Lodge that in the long run arbitrary price fixing will not do. Personally, I believe in liberty as the developer of industry, and this world war is going to be won by the money made by a free people. That is my entire feeling on this subject. But, nevertheless, we have a crisis in this market which is being dealt with in a very peculiar way. As I understood the statement made to us when we were asked to go into this contract, Mr. Hoover has evolved an idea which personally I should like to see given a fair trial. I am not a prophet on the subject of whether it is a success or not. He has an idea that you can not fix prices against people's wills, but that in emergencies you can get them to agree to limitations which probably will not run into stopping production, because they do agree. Now, from my study of these questions that is a novel idea, but that is really what Mr. Hoover is trying to work out. I do not know that I am making myself clear.

The CHAIRMAN. Well, that may be your opinion as to what he is trying to work out.

Mr. EARLE. I am only trying to give my opinion from what was said to me when I joined in the experiment. I might put it in another way, Senator, and that is that that was the reason I was interested in the experiment—because that was my impression. Of course, Mr. Hoover can speak for himself.

The charge, as I have said—if I misstate it, you gentlemen will know what it was; I do not want to bother you with referring to testimony—the charge was, as I have stated it, that this interference had made all the trouble. I want to give you against that testimony just a few actual figures, and I think they will be interesting to you. Now, I am giving you figures. I am not giving you opinions. I can come here and, without the slightest danger of ever being criticized, give you any figure I please, but I do not believe in that. I believe that is a mistake.

We have a long list here. One of the witnesses told you gentlemen—I can give the pages if you want them, but you will probably recollect the testimony——

The CHAIRMAN. Suppose you give me the page you are referring to now.

Mr. EARLE. I am not interested in these personalities. I will just give you the testimony, and I will not refer to any of the witnesses' names. You can find it.

The CHAIRMAN. I should like to have the page of the record.

Mr. EARLE. I am going to find it for you, if you will pardon me a minute. I hope you will not think that I always do things as badly as I am doing this, because I have not much memory.

On page 9, and also page 14, you will find the positive statement that the consumption for the year has been the same. You will find on page 14 the statement that there was no shortage in supply over the prior year. That astounded me and started me to look into it, because I have never been through such a situation in my life. If you would send a lady a 5-pound bag of sugar she would be much more grateful than if you gave her a diamond necklace. It almost got to be a mania.

On page 18 you will see the statement that there being no increase of consumption and no shortage in supply—relative shortage, I mean—there would have been no trouble except for the Food Administrator. Now, as to whether the trouble arose from the Food Administrator or not, that is another question; but those were the matters that attracted my attention.

This testimony is terribly jumbled up. The testimony all looks as if it came from Willett and Gray. It does not. That is something that you yourself have evidently been deceived about. I want to point that out to you for your own guidance. Figures are read along for a certain distance from Willett and Gray, and then other figures are interpolated, and then it all gets before you as though they were Willett and Gray's figures. Now, I want to say that Willett and Gray, like everybody else in this thing, make very serious mistakes, but I think they make less than almost anybody except the Government of the United States; and I think I will render you a service in pointing out to you that the Government is collecting statistics entirely apart from all these matters of controversy that are much more accurate than any of these, but they are harder to get. They are not so generally known.

In the first place, gentlemen, the witness that made these statements said that there was the same consumption. I will take Willett and Gray for the moment. You have not been given this by anybody. We have the actual, complete figures for the year now. They square perfectly—everything squares when people are telling the truth—with what we have been going through and what caused this committee to investigate this matter. I am now reading from the January 10 number of Willett and Gray, the review for 1917, page 14.

The figures show the consumption of sugar to have been 3,954,187 tons, an increase of 295,580 tons—in round figures 300,000 tons, to save so many words—or an increase of 8.079 per cent, against a decrease last year of 142,000 tons, or 3.759 per cent for 1916.

It goes on and gives you all of the figures in great detail. That, in the sugar trade, is regarded as an official statement. That will go down in the records as what was the consumption for that year; so that it is not quite fair to gentlemen like yourselves, working on behalf of the general public, to say that there was no increased consumption, when such a terrific increase was taking place.

This witness testifies, I suppose in support of his theory that there was the same quantity of sugar——

The CHAIRMAN. What page?

Mr. EARLE. This is page 15 of part I. If I do not make myself clear, I hope you gentlemen will not hesitate to make me correct myself. I feel I am not up to top pitch. This witness puts down, to show that there was plenty of sugar, the figure that Louisiana has

produced 280,000 tons. I want to say that that statement is very confused; I do not just understand what he means, but that is the figure that he gives on Louisiana in connection with there being the same quantity. I refer again to Willett and Gray of the same day. They say, on the top of the same page:

Reduction in domestic beet crop estimate: Because of poor yield, lack of labor and transportation difficulties, with some freezing of beets in the ground, we have reduced our estimate of the United States beet crop to 750,000 tons against previous indication of 875,000 tons.

How a gentleman with such figures can get at any result satisfactory to himself is beyond me. [Reading:]

A reduction in estimates was also necessary at this time last year, but then due to unfavorable weather only. Twice now have prospects of large crops been blasted, but the shortage this year is more deplorable by reason of lack of Cuba supplies because of scarcity of ocean tonnage.

Now, that is real authority. They do make mistakes, Senators: everybody will make mistakes that attempts to forecast this business, because there are such queer features in the development of sugar.

The CHAIRMAN. I do not understand your point. Do you claim that this statement that is made here on page 15, and the figures read, were false figures—that they were not read from Willett and Gray?

Mr. EARLE. Not yet. I do claim that that happened in another place, but I do not mean with any bad intent. Men, particularly men not accustomed to these proccdures, get embarrassed before you and make mistakes; but at present I am trying to make it clear to you gentlemen that you have not had data before you, real data, that justifies the conclusion that there was not a real shortage. He speaks of the same situation being repeated this year that there was last year, with the new factor of the sugar administration coming in. I am showing that the figures are absolutely wrong to an enormous extent; that you had such a shortage as never was dreamed of before.

The CHAIRMAN. That is general. I want to know whether you claim that the figures given on page 15 of this report are false figures or not?

Mr. EARLE. I would rather use the term "incorrect"—not all the figures, but some of them are incorrect.

The CHAIRMAN. Do you claim that they were not the figures that were printed in Willett and Gray and correctly read from them?

Mr. EARLE. I claim this: I do not know where these figures came from. The witness was engaged in explaining that there was no increase in consumption.

Senator VARDAMAN. Who was the witness?

The CHAIRMAN. Mr. Spreckels; and this statement is made by Mr. Spreckels:

Shall I read right from this statistical report of Willett and Gray?
The CHAIRMAN. Yes; you may read it.
Mr. SPRECKELS. These are the same statisticians to whom Mr. Hoover referred. We will take, first, the United States proper in cane-sugar production.

Then follows a long list of figures applicable to a great many places, occupying two-thirds of the page.

Senator VARDAMAN. Does it purport to be a quotation?

The CHAIRMAN. I just read you exactly what he said. My recollection is that he read it from——

Mr. EARLE. Now, Senator, I can make perfectly plain what I am trying to make clear to you. I am not making the slightest attempt

to say that this was not Mr. Spreckels's opinion, and that he may not have gotten it somewhere. What I am trying to give you light on is what was the real situation—that the figures that I understand he was advancing in support of his claim that there was not any less sugar were not sound figures; that by actual results, which I am fortunate enough to be able to give you, he has taken a false position in which he might have been himself misled by false figures; but the duty I am trying to discharge to this committee is to show that they were mistakes. Do I make that clear to you?

The CHAIRMAN. If these were Willett and Gray's figures that he read, you are now seeking to controvert Willett and Gray's figures by other figures of Willett and Gray?

Mr. EARLE. By the latest complete returns.

The CHAIRMAN. If they were mistaken in the first instance, they might, of course, be mistaken in the second.

Mr. EARLE. No; they have got the statistics. This is final. There is all the difference in the world between a result ascertained and a guess made in advance.

The CHAIRMAN. Oh, yes. It is the difference between an estimate and a result, of course.

Mr. EARLE. Exactly; and Willett & Gray's corrected figures will be much more apt to be correct than their earlier approximations for the purposes of the trade. All I am trying to show you is that in actual results Mr. Spreckels was, by the very authorities he quoted, incorrect.

The CHAIRMAN. Very well. Now will you go through and show where he was incorrect? You say there was a greater consumption—that Willett & Gray show a greater consumption than there was last year.

Mr. EARLE. Yes.

The CHAIRMAN. Do they show a reduction in the crop also?

Mr. EARLE. I am going to give you just what they do give. I would rather give you the facts than general statements.

The CHAIRMAN. But I know you want to be just about this matter, of course.

Mr. EARLE. Why, certainly. If I am not, you can check me up very quickly.

The CHAIRMAN. If you single out a single figure on one side of the balance-sheet and say that was over-estimated because on a later return it is found to be too large, and then you do not tell us whether there were mistakes made on the other side of the sheet that may have offset it, we still might be in error.

Mr. EARLE. You are perfectly clear about that.

The CHAIRMAN. Therefore, I am inquiring whether you checked up these figures clear along the line, or whether you have selected out certain figures without checking the rest of them?

Mr. EARLE. I have checked them up as far as I have new data to check them up with. I want you to get clearly in your mind that I am trying to get you correct information.

The CHAIRMAN. Yes.

Mr. EARLE. If I am not, all this is matter of record, and I can be easily corrected.

The next figures that I have final data on—and I should like to call your attention to another fact——

The CHAIRMAN. Will you let me see that copy of Willett & Gray's paper?

Mr. EARLE. Why, certainly, sir. I will give it to you [handing paper to the chairman]. It is on that page there, Senator. I will appreciate it, if I make any mistakes or if I am not clear, if you will call attention to it. As I have said, I am not perfectly clear in my head to-day, and if you gentlemen will call attention to anything of that kind I shall be very glad. I want to help you, and I will not help you by misleading you.

The CHAIRMAN. It would seem, if you are correct in this statement, that all this sugar-conservation campaign that we have had for the past 12 months has resulted in an enormous increase of sugar consumption, and that the sooner we abolish all attempts at control the better it will be. We have had an agitation here that began early last May, and it has been carried into every household in the land. We have conservation cards in every window, and we have been assured that the dining cars have saved 12 tons of sugar, I believe, and that hotels have been conserving, and restaurants have been conserving, and we have had sugar handed out to us one single lump at a time; and yet, as a result of all this, we have used 295,580 tons more sugar than before we began to save.

Mr. EARLE. Yes; and been left with none at all months ago.

The CHAIRMAN. That makes a sort of joke out of this conservation program, does it not—a sort of a sad joke?

Mr. EARLE. Do you not think, Senator, before we argue it, that I might give you what I have got in my mind, because I might miss it all. I can not remember these figures.

The CHAIRMAN. All right.

Mr. EARLE. I should like to argue any question with you, because you are a very interesting man, if you will permit me to say so.

The CHAIRMAN. Go ahead, sir. I am just curious to know which way this cat is going to jump.

Mr. EARLE. I have every reason to believe that you are going to know.

The CHAIRMAN. When we are arguing from the standpoint of no sugar shortage, it is not difficult at all to show that there is a sugar shortage; but when we are arguing from the standpoint of sugar conservation, it is not at all difficult to show that we have conserved marvelously, and produced great results.

Mr. EARLE. Oh, yes, we have. The American people are quite capable when they get aroused.

The CHAIRMAN. I see they are—295,000 tons more sugar consumed.

Mr. EARLE. They are also capable of consuming. Now, another figure that is incorrect—and I am not attacking these figures generally. I am merely checking them up with later results.

Senator JONES. Mr. Earle, if you have there the figures of last year's crop, I should like to get them in the record in some tabulated form. What was the actual production from Cuba last year?

Mr. EARLE. I have not that at all. I have only checked up a few figures that I have final information for instead of these wild guesses. I will give you all I have.

Senator JONES. I wish you would.

Mr. EARLE. Shall I go on, Senator?

The CHAIRMAN. Certainly.

Mr. EARLE. Now, on the same page, I have one other figure that I want to call attention to. The three figures that struck me were the three figures that have been ascertained. The consumption is now known. Of course if you deduct 300,000 tons from a sum, you have less to deal with than if you had not used that sugar, and the claim that there was an equality must disappear if there are such deductions that should have been made. I only claim that as far as they have been ascertained, as definitely as they ever will be, they show an entirely different situation. Am I making that clear?

The CHAIRMAN. Now, I wish you would tell us at what places Mr. Spreckels' testimony was incorrect.

Mr. EARLE. I can only tell you the places where I have discovered that it is incorrect, because I have not gone over all of it.

The CHAIRMAN. Very well.

Mr. EARLE. There was a mistake in Mr. Spreckels's figures for Louisiana. Both Mr. Spreckels and Willet and Gray are mistaken, and that caused a great deal of the trouble. He puts Louisiana down at 280,000. We all relied on those Louisianas, and we all were at sea when they did not come, which they did not. Some were made into clarified because of various reasons; but instead of 280,000, as Mr. Spreckels gave it, Willett and Gray, I think, give it now at 225,000, and now the Government has given the final figures, and it was 208,000. I now read the Monthly Crop Reporter, published by authority of the Secretary of Agriculture. I do not want to bother you gentlemen with these things.

The CHAIRMAN. How do you know that is correct?

Mr. EARLE. I never have had any trouble with Government statistics. These trade things are so affected by the interests of the people that publish them.

The CHAIRMAN. I thought a little while ago you were referring to Willett and Gray as the best authority.

Mr. EARLE. They are the best authority of the kind; but I do not put them above the authority of the United States, which has not the slightest interest, and has an immense force to attend to this business.

The CHAIRMAN. Well, that is a matter of opinion.

Mr. EARLE. Of course; but do you not want their figures?

The CHAIRMAN. Yes, we want their figures—certainly.

Mr. EARLE (reading):

Forecasts for Louisiana—

Now, these are actual returns—

Preliminary returns from factories indicate a probable outturn of 466,000,000 pounds of sugar in Louisiana for the current season, and the estimated amount of cane used for sugar is about 3,600,000 tons. Since these returns for the 1917–18 season were made before the factories had completed their operations, the totals estimated above are subject to later revision. Last year (1916–17) 607,800,000 pounds of sugar were made from 4,072,000 short tons of cane, making an average yield of 149 pounds of sugar for each ton of cane. The average yield of sugar for the current season is forecast as about 130 pounds per ton of cane.

Now, if you will divide that by the right figure, you will get 208,000. There is a Government publication.

The CHAIRMAN. That is an estimate, again?

Mr. EARLE. It is less of an estimate. They have got most of the returns in now.

The CHAIRMAN. How many factories did they say they had returns from there?

Mr. EARLE. I think he says substantially all. That was the impression I got. You have got that in writing before you. I would not ask you to depend on my memory when you have the real thing. I do not think it mentions the number of factories. It says there may be later corrections.

Senator VARDAMAN. Mr. Earle, did I understand you to say that these estimates made by private enterprises or private persons are somewhat colored by personal interest?

Mr. EARLE. I say they might be. I would not say that of any particular person. Now, let me explain that to you.

Senator VARDAMAN. It is very natural that they should be.

Mr. EARLE. Willett and Gray, if they simply published this journal, would be in a different position from people active as brokers. They are naturally affected. The mind of the fellow that you get appointed in the Department of Agriculture to do this work for you, that you supervise and pay the salary of, is not biased at all. He is just grubbing for pay.

Senator VARDAMAN. I agree with you most heartily about that. I think that where it is possible in the performance of functions of this character, it ought always to be done by a man whose personal interests are in no way affected by his conclusions.

Mr. EARLE. I was sure that would be your conclusion from all I have seen of you.

Senator VARDAMAN. That is what I think about it.

Mr. EARLE. Now, this is just what I want to get in your minds: I am only dealing with this one question. Mr. Spreckels, since his name has been used, testified as follows on page 12—I have no objection to using Mr. Spreckels's name, but I do not want to make this a personal matter. We are simply hunting facts, as I understand, trying to do justice.

The CHAIRMAN. I notice that you all hunt Mr. Spreckels.

Mr. EARLE. Oh, I only hunt him on one subject. He did tell you some things about me that were not true. I will come to that if you will let me; but I suppose he was excited. In fact, he knew they were not true.

The CHAIRMAN. Now, I do not think we care to have that testimony.

Mr. EARLE. But are you going to let him attack me and say I am part of a criminal trust and not let me answer the attack?

The CHAIRMAN. No; you could very easily deny that.

Mr. EARLE. I think the right of self-defense is a right that exists everywhere on the part of an American citizen.

The CHAIRMAN. The right does exist, and it is perfectly proper for you to say that you want to correct that statement. That is a very different thing.

Mr. EARLE. I want to give you the facts.

The CHAIRMAN. That is a very different thing from charging another man with perjury.

Mr. EARLE. Oh, no; I did not charge him with perjury.

The CHAIRMAN. He testified under oath.

Mr. EARLE. Yes; but I said I think he was excited.

The CHAIRMAN. The committee is perfectly willing to have you correct any statements, but I do not think you ought to characterize the testimony of any witness, and I hope you will not do it.

Mr. EARLE. I should like to clear that up, because I want to stand clear on the record before you. For some reason Mr. Spreckels said to you gentlemen, without any occasion that I can see to say it, that he had no certainty that any of us were not engaged in a criminal trust. I do not think that was necessary. Later on he said we were "so-called independents." Now, I think you are quite right, Senator. When I said that I know Mr. Spreckels had information to the contrary, I do not know that it was present to his mind, because that is an entirely different thing, and it would have to be present to his mind to have made a charge of perjury, which I have not made, and I am sorry that you suggested it, because I had no such intention. Mr. Spreckels came to me within a recent time and asked me to make a combination—this one gentleman who stands alone above reproach. I am only speaking in defense of my own personal honor and dignity, and gentlemen who I know value theirs. He asked me and asked Mr. Howell, who controlled two large refineries in New York, his own city, to merge with him. I told Mr. Spreckels that I felt that I could not consider it unless the Attorney General of the United States approved of it. Mr. Spreckels said he thought he would, and he saw us a number of times, but he never received that confirmation. There are a number of witnesses I can bring if my word is questioned. Mr. Post, of Howell's, was present, and Mr. Bunker, of Howell's. But since I have been in this matter, the only time I have been approached by anybody to make a combination was by Mr. Spreckels, and I did not accede; and then for him to come down and tell you gentlemen in substance that we were all suspected except himself, I think you will agree with me——

The CHAIRMAN. Will you turn to the testimony you referred to?

Senator VARDAMAN. You say that you declined to enter into that combination unless he had the approval of the Attorney General—that that was the reason?

Mr. EARLE. The reason I declined was this: I thought perhaps—it is merely my own view—that refineries owned by the same company in different places might be beneficial, avoid economic waste and freight charges, which would be peculiarly beneficial now, but I did not think it was worth while to go into the details of a combination when there were three refineries to be combined in the single city of New York, and I did not go into any terms with Mr. Spreckels because I thought that that would probably be an insuperable difficulty in the way. Mr. Spreckels did not think so, but whether he went any further or not I do not know. But I think, Senator, as a fair man, you will say that when a man comes to you and asks you to make a combination, and then says you are suspected of being in a trust, when you told him you could not do it without the approval of the Attorney General, it is not quite the square play that I would expect in Mississippi, for example.

Senator VARDAMAN. I rather think you are right about that.

Mr. EARLE. I knew you would.

Senator VARDAMAN. The reason you did not negotiate with him was because you were afraid of the law? Was it that?

Mr. EARLE. I was not afraid of it at all.

Senator VARDAMAN. You wanted the approval of the Attorney General before entering into it?

Mr. EARLE. I was on perfectly good terms with Mr. Spreckels. He said it would be a good operation to combine those four big refineries, and I talked it over with him, and I said, "Three of them are in New York, and I doubt whether the Government will approve that. If it will not, I do not want to talk about it."

Senator VARDAMAN. Did you approve the proposition?

Mr. EARLE. I never came to any terms with him.

Senator VARDAMAN. I mean, what did you think about it?

Mr. EARLE. If you want to know what I think generally, there were never any terms made. The suggestion was made that we combine, and I raised that question. Mr. Post did not go any further with it. I think some of you gentlemen were present.

Mr. MCCARTHY. I was present.

Mr. EARLE. Mr. McCarthy was there. I can give you five witnesses to the fact that that happened. You see, Senator, I am a pretty busy man. If a man brings me a proposition that I think might be good or might not, and yet I think the Government would object and might properly object, I am not going to give up my time over it until that objection is removed.

Senator VARDAMAN. Oh, I think that is true of a majority of the business men.

Mr. EARLE. I have no controversy with Mr. Spreckels except in two things, and I am perfectly open about it. Those two things I object to seriously, largely because he misled you. One was to give a general impression that we were all in some sort of a criminal conspiracy, when I am merely discharging duties that resulted from a court appointment. The second was that he said he did not sign this agreement because he did not trust—he did not feel that he would be treated fairly. He is the only man that has asked favors and gotten them, and he is on the committee himself; and when he said that he had had actual experience, and he knew he was being treated fairly. So that if he had had such a suspicion I do not think it was handsome between gentlemen to express it after he knew it was unfounded. Now, on all other subjects I have no complaint of Mr. Spreckels, and in both these cases he was the aggressor.

Senator VARDAMAN. You understand that I am not a partisan of anybody.

Mr. EARLE. I have seen that, sir.

Senator VARDAMAN. I am very anxious that the truth be evolved, and by your differences the attrition of your suggestions may possibly develop that truth, and enable us to act for the good of the American people; and when you fall out, we are going to judge between you. You think honest men get their dues under such circumstances?

Mr. EARLE. I hope so.

The CHAIRMAN. Since we have gone into this field for mowing June grass with a dull scythe—that is what I think we are doing——

Mr. EARLE. Then why should I go on, Senator. If I am not giving you useful information, I would rather stop.

The CHAIRMAN. I want to check up a matter. I do not know anything about Mr. Spreckels in the world, except what I have read in the newspapers, and the fact that he came here and testified. I never

saw him in my life until he came here to testify. I will say that he impressed me as quite as frank as some other gentlemen who testified here, and as no more prejudiced. But since you challenge the accuracy of the statements that he made, and since you have referred to Willett and Gray, I call your attention now to just what he did testify, and you have the testimony before you, and I will thank you to follow me.

Mr. EARLE. Yes, sir.

The CHAIRMAN. I read from page 15 of the record of this committee:

Mr. SPRECKELS. These are the same statisticians to whom Mr. Hoover referred.

Then follows a long list of figures, and then Mr. Spreckels said:

That was their estimate last year. You wanted the source of supply.

He was referring there to Willett and Gray, as is shown by the context. I had asked him, in this connection, what were the sources of supply. My question appears on page 14. Let me give you that question:

The CHAIRMAN. I want now to ask one further preliminary question which I should have asked long ago. What are the principal world-supply points of sugar—the principal countries from which sugar comes?

Mr. SPRECKELS. Cuba is the largest producing country. We draw mainly from there. but Europe also draws from Cuba. Then there is Peru. Perhaps I had better read them off.

The CHAIRMAN. Very well. I want to get it into the record.

Mr. SPRECKELS. Shall I read right from this statistical report of Willett and Gray?

The CHAIRMAN. Yes, you may read it.

Mr. SPRECKELS. These are the same statisticians to whom Mr. Hoover referred.

And he adds, after giving the list:

That was their estimate last year. You wanted the source of supply.

The CHAIRMAN. I simply want the source of supply, and that will give us an idea of the amount coming from these places. You spoke of a number of places that consumed all of their own sugar?

Mr. SPRECKELS. Yes.

Now, at this point I want to call your attention to the fact that we were not even asking for the amounts. Mr. Spreckels started to testify as to the principal sources of supply from his memory, and then took up one of these Willett and Gray reports, and read the figures, and he said, "Those are their figures for last year." Now, he had the 1916 book in his hand. Will you take that and will you kindly tell me if he did not tell the truth, following that book [indicating record]. There may be minor errors, and maybe some error was made by the reporter; I do not know.

Mr. EARLE. Now, Senator, just a moment, and I think I can show you how you misled yourself. You are speaking about the 1916 crop?

The CHAIRMAN. No; I am speaking about the 1915–16 crop. This is on page 15.

Mr. EARLE. On page 15?

The CHAIRMAN. Yes; that is what we have been talking about.

Mr. EARLE. I can not see what you read, Senator, on this page.

The CHAIRMAN. It is page 15 [indicating on record].

Mr. EARLE. I can see a lot of figures here, but I do not see where he says the 1915 crop.

The CHAIRMAN. He says at the bottom of that page, "That was their estimate last year."

Mr. EARLE. He said that was their estimate last year, yes; and they are making this estimate last year for this year.

The CHAIRMAN. Oh, no. At this point he was simply giving the sources of supply. Now, I am handing you this report of Willett & Gray, which is what I think he had before him.

The CLERK OF THE COMMITTEE. No; it is not. When he gave those figures he was asked for the usual sources of production and I handed him a Willett & Gray issue of 1916, and he read the list there showing the sources of supply of 1916 and not of 1917. We have not the book here which he used, but here is an issue in January, which is close enough to show what he was reading from.

Mr. HOODLESS. There is no dispute that Mr. Spreckels read from some paper, and had these figures. What Mr. Earle is trying to do is to show that from the later and more accurate figures based upon facts, not estimates, those statements of Mr. Spreckels, so far as he uses them as a basis for an inference, are not correct; not that Mr. Spreckels made a false statement.

Mr. EARLE. I have said that a dozen times.

The CHAIRMAN. I understand that, but I am insisting upon this point, and I propose to clear it up if I can, that when Mr. Spreckels was testifying, at this point on page 15 he was not testifying as to amounts at all. The question was, "What are the principal world-supply points of sugar—the principal countries from which sugar comes?" I asked that question out of the abundance of my ignorance. He started to tell, and then somebody handed him the list, and as he read the list he read the figures attached to the list, as to production. We were not at that time examining the figures as to production. I think if you want to criticize Mr. Spreckels's figures as to production you ought to go to the point where he was testifying with reference to that matter.

Now, if those figures are inaccurate and you want to correct them, let us have your correction.

Mr. EARLE. That is not what I want to do. What I would like to do is to do what I started to do.

The CHAIRMAN. All right.

Mr. EARLE. I have said half a dozen times that I have no doubt that this is honestly stated. Have I not made that plain? If I have not, I want to make it so now. I have said that that did not verify the statement that Mr. Spreckels had advanced. Mr. Spreckels had said that there was substantially the amount of sugar that there had been the year before; that there had been substantially the same consumption; and then, that being his proposition, that the food control had caused all the trouble, and he read some figures. If he read them without attempting to support his proposition by them, I am entirely mistaken. It is my assumption that he intended to support his proposition, but whether he did or not, it is unimportant. It is unimportant whether Mr. Spreckels did that.

The CHAIRMAN. I think so, and therefore I think your comment on him is utterly immaterial. Now, if you have any facts you want to give to this committee as to the production of sugar, I wish you would give them to us, and leave Mr. Spreckels and everybody else out of the case. Just you tell us what the production is.

Mr. EARLE. That is just right; that is what I want to do. I tried to. I did not even mention Mr. Spreckels.

The CHAIRMAN. You started reading from the record and commenting on his testimony.

Mr. EARLE. I tried to call your attention, Senator, to certain things, and I will be through in a very few minutes if you will let me go on.

The CHAIRMAN. All right.

Mr. EARLE. I started to say that Mr. Spreckels said that the figures were substantially the same both for sugar consumption and the amount of sugar available, and that the trouble had been met only by the intervention of the National Food Control. I then found that he gave certain figures, and I say if they were not put in for the purpose of supporting that statement, I do not know what they were put in for, and I say that on those figures and some other figures he was in error, so far as that is applicable to the proposition we were considering. I do not mean he did not give correct figures as to 1915 or 1917. If he was giving a lot of stuff irrelevant to the point he was making, I am entirely mistaken.

Now, he also swore——

The CHAIRMAN. Now, wait. I do not know how the rest of the members of the committee feel, but I do not think we are interested in your comment on Mr. Spreckels' testimony. If there are any facts that you know, yourself, that you want to tell the committee, we welcome the statement of facts.

Mr. EARLE. That is what I am doing.

The CHAIRMAN. And we will try to compare those facts with Mr. Spreckels' testimony for ourselves, and with the testimony of Mr. Rolph and with the testimony of everybody else. We do not want to call another witness now to have him tell where your mistakes were. We would be as bad off as Bob Ingersoll was when he wrote "Some Mistakes of Moses." It is not the proper way to get at the facts in the case, and you, as a lawyer, know exactly what I mean when I say if you make your statement of facts we will put them up against other statements——

Mr. EARLE. That is what I am trying to do.

The CHAIRMAN. No, you are commenting on the testimony of Mr. Spreckels.

Mr. EARLE. I am not trying to make any comment.

The CHAIRMAN. You are reading his testimony and seeking to reply to it. Now, the committee do not care—speaking for myself I will say that I do not care—to hear that, any more than I would care to hear Mr. Spreckels come here and read your testimony and comment on that.

Mr. EARLE. He is at entire liberty to.

The CHAIRMAN. Yes, I know; but we have got some limit to our time, here.

Mr. EARLE. I can give you some valuable information, I think.

The CHAIRMAN. Now, tell us any facts that you know.

Mr. EARLE. The estimate was that there was a deficit of 180,000 tons. That you will find on page 10.

The CHAIRMAN. That we do not care for. I do not care for that.

Mr. EARLE. Then I can not help you very much.

The CHAIRMAN. Tell us what facts there are. If there were more Java sugars coming, tell us how much more, and when the committee come to study it, they will consider what you say.

Mr. EARLE. Instead of the figures on the situation being the same——

The CHAIRMAN. We do not care for that.

Mr. EARLE. There were 360,548 tons less available at that time than the year before. Now, If that is not an important fact in this inquiry, I do not know what is.

The CHAIRMAN. Can you not get it into your mind, notwithstanding the fact that there may be some feeling in this case, that you could content yourself with telling us how many Java sugars were available last year, and let us do the figuring? You try to do that.

Mr. EARLE. There is not any Javas available; but how I can tell you whether the situation was correctly protrayed or not——

The CHAIRMAN. We are not interested in whether it was correctly portrayed.

Mr. EARLE. Yes, you are interested in the facts.

The CHAIRMAN. We are not interested in having a witness swear whether it was correctly portrayed in the testimony of another witness. If you give us the facts, we will make up our minds which one of you gentlemen has arrived at a correct conclusion.

Mr. EARLE. It is my conclusion, then——

The CHAIRMAN. We do not want your conclusion.

Mr. EARLE. Then I am not to give the facts or my conclusions.

The CHAIRMAN. Nobody has denied you the right to give the facts. That is what I am asking you for, the facts.

Mr. EARLE. The fact is that instead of the quantity being the same——

The CHAIRMAN. That is not it. What was the quantity of Java sugars that you say were in hand?

Mr. EARLE. I have not said anything on that subject.

The CHAIRMAN. I am asking you now.

Mr. EARLE. I say it has been testified——

The CHAIRMAN. I do not care what has been testified to. We do not want your comment.

Mr. EARLE. Is that a comment?

The CHAIRMAN. Of course it is a comment.

Mr. EARLE. Well, I can not understand what a fact is, if you can not state the amount——

The CHAIRMAN. You do not need to tell this committee that it has been testified so-and-so; that it has been testified that the amount of Java sugars on hand was a million tons. You can tell us, can you not, that there were on hand 500,000 tons or 600,000 tons or a million tons, or whatever it is?

Mr. EARLE. Yes, sir; I will tell you that.

The CHAIRMAN. Very well.

Mr. EARLE. That is what I have been trying to tell you.

The CHAIRMAN. That is what we want.

Mr. EARLE. On the figures that I have before me, which I believe are correct, there was 1,418,450,320 pounds less sugar available this fall than last fall, instead of an equal amount.

The CHAIRMAN. Well, that is your conclusion?

Mr. EARLE. Yes; certainly.

The CHAIRMAN. Now, you base that upon figures obtained from whom?

Mr. EARLE. Which you object to my giving.

The CHAIRMAN. I do not object to your giving the figures. I have asked you to give facts, here. I am either unable to make a statement that is plain, or you are unable to understand my statement.

Mr. EARLE. Then we get right back where I was again. It was testified to——

The CHAIRMAN. No; I do not care what was testified, and you know I do not.

Mr. EARLE. There was 180,000 tons less available sugar because of the inaccessibility of the Javas.

The CHAIRMAN. Very well. Now, that is a statement of fact.

Mr. EARLE. I should think you would be interested in how I got it, but you are not.

The CHAIRMAN. I want to know what authority you have for the statement that there was that much sugar less available.

Mr. EARLE. Mr. Spreckels's testimony before you.

The CHAIRMAN. You are referring to Mr. Spreckels as an authority?

Mr. EARLE. He figures that out, and I see no reason to doubt it, whatever. I only correct him where I have official figures to do so.

The CHAIRMAN. We do not care for your corrections. Suppose you give your testimony and let Mr. Spreckels and Mr. Rolph and Mr. Babst and all these very respectable and eminent gentlemen alone.

Mr. EARLE. I do not know that I have mentioned any of them except Mr. Spreckels, and I referred to his testimony, and that is all. If it is offensive, I will not——

The CHAIRMAN. It is not offensive, but it is not the correct way to testify. That would be a very correct way for a lawyer to make an argument.

Mr. EARLE. Well, those are my figures. If they are doubted, I am subject to cross-examination on them. There was that deficit, instead of a surplus amount.

Now, Senator, another thing that I think may interest you. You have inserted in the record a table here, at page 318. You put it in evidence, I think, yourself.

The CHAIRMAN. On what page is it?

Mr. EARLE. Page 318. I make these corrections with great reluctance, if it is offensive in any way. The heading of that table reads:

Exhibit No. 63½. (From Statistical Sugar Trade Journal, 1915, and November 22, 1917). Sugar Crops of the World.

Then down below it says:

1917–18; 17,190,000 tons.

That is not in Willett & Gray at all. There was no such figure; and as a matter of fact, the figure in Willett & Gray—and I should have verified it, because I give it from memory—is 16,770,000 tons; so that by that mistake there is an apparent supply of 420,000 tons more.

The CHAIRMAN. That is right from the Weekly Statistical Journal.

Mr. EARLE. No; it is not. You took me to task for the Weekly Journal. Now, you get it and see whether that is correct.

The CHAIRMAN. Let me see. The context shows this. I read as follows:

The CHAIRMAN. I am not seeking to contradict you—

Mr. Babst was on the stand—

but I am seeking to give you the opportunity to correct your figures. The figures, as I understand, were compiled on the very basis which you have stated, and because you did not have the accurate figures before you—and nobody can be expected to carry them in his mind—I will ask you to look at this table and see if you now, looking at it, desire in any way to change the proportions of sugars as you have given them?

Mr. BABST. I prefer not to look at the paper, as I have stated it in a rough, round, general way, in order to convey the importance of America in the present world sugar situation.

The CHAIRMAN. In connection with the statement just made by the witness I introduce the following table, compiled from the Weekly Statistical Sugar Journal.

Senator KENYON. What is the Weekly Statistical Sugar Journal?

Senator LODGE. It is a sugar trade journal.

(The table referred to by the chairman is here printed in full, as follows.)

Now, that is all there is to it.

Mr. EARLE. Except that it is not correct. It gives the balance of sugar as 420,000 tons on the authority of Willet & Gray, which did not exist. They did not say it did.

The CHAIRMAN. What do you say is the correct amount?

Mr. EARLE. I would rather you would take Willett & Gray's amount.

The CHAIRMAN. What do Willett & Gray say?

Mr. EARLE. I will ask Mr. McGrath if he can find that. I think, Senator, you were led into a mistake, but if you object to my showing you, I will not do it.

The CHAIRMAN. It may be interesting to me.

Mr. EARLE. That is all I want to give you. Shall I read a little of the testimony to show how this happened?

The CHAIRMAN. You may proceed along that line for a while, if you want to; but I do not seem to be able to get you to quite comprehend this situation, that the committee would like to have you make any statement of fact with reference to these matters that is pertinent. You can tell us what the sugar output is for a year, if you want to. Then we will undertake to analyze and find out who is mistaken and who is right. Now, that is my view of it. I do not know what the rest of the committee think.

Senator VARDAMAN. It seems to me this can be brought to an early and satisfactory conclusion. I understand that your testimony as to the supply of sugar is taken from Willett & Gray's last estimate?

Mr. EARLE. Part of it, yes.

Senator VARDAMAN. Together with the Government reports?

Mr. EARLE. And some testimony here.

Senator VARDAMAN. Does the testimony that has been given before this committee contribute anything to the accuracy of these statements of Willett & Gray?

Mr. EARLE. Those statements do not cover the points at issue at all, Senator. I thought you were trying to ascertain figures. If I do not understand your purpose, I am wasting your time. I thought you were trying to ascertain whether this trouble was caused by a matter of administration, or some other cause. The testimony has been made before you that it was caused by the interference of the sugar control; that there was plenty of sugar and that there had been no increase of consumption. Nothing could be more pertinent to the inquiry than to show that that was a mistake; and if it is not a mistake I will easily correct it, and if it is a mistake it goes to the root of this whole thing.

Senator VARDAMAN. What is the source of your information about this?

Mr. EARLE. The source I am giving you, that is, from Willett & Gray, and twice in the testimony that there was a deficit of 180,000 tons caused by the unavailability of the Hawaiians, when it was testified by a gentleman that it was a fact, and I did not disagree. I did not look any further. I just wanted to take these figures and show you that on the figures as they were presented for the issue there was a billion and a half pounds less available; 1,418,000,000 pounds.

The CHAIRMAN. In other words, you have gone through this testimony and have got some tables and figures and you want to come in as an expert on this man's testimony and analyze it for the committee, and perform the functions before the committee of an analyst or attorney for the committee. That may interest the other members of the committee but it does not interest me a bit. If you have any figures as to the production or consumption of sugar, or any facts with reference to the distribution of sugar, I would be glad to hear that, and then I will try and put my poor mind to the work of doing its own analyzing and comparing of figures; and I will be glad to hear an argument from an attorney, perhaps, as an attorney.

Mr. EARLE. I am not making any argument; I am calling your attention to facts.

Senator VARDAMAN. I am not interested in the controversy between the witness and Mr. Spreckels and Mr. Babst, or anybody else, but I think it would be very much easier for the committee to reach an accurate conclusion—a correct conclusion—if you would just state what you know about it, if it can be done. Of course, I would not desire that any witness should be unnecessarily criticized. I, of course, sympathize with you somewhat in your desire to pay your respects to Mr. Spreckels, who, you say, has reflected upon you.

Mr. EARLE. You heard his testimony here, Senator.

Senator VARDAMAN. Really, those things I paid no attention to much. We are not here trying Mr. Spreckels or Mr. Babst or Mr. Rolph or Mr. Earle or Mr. Hoover.

Mr. EARLE. I understand that.

Senator VARDAMAN. We are trying to find out the facts, and I personally have no interest in the quarrel between you gentlemen; and if you can give your testimony with that eliminated, of course, I would like to have it. If you can not do it without that and make yourself thoroughly understood, why I think it is unfortunate.

Mr. EARLE. I do, too. I tried my best not even to mention Mr. Spreckels. I was told that I should mention him.

Well, my testimony is that, on my independent investigation—you gentlemen pay me the high compliment to take those statements without criticism or cross-examination——

Senator VARDAMAN. I think that is the best way to give it.

Mr. EARLE (continuing). My testimony, with my conclusion from later results and from the facts I gathered from Mr. Spreckels's testimony or otherwise, is that the sugar administration was dealing with, instead of the same situation, a situation 1,400,000,000 pounds worse; and I thought that it was due to you gentlemen to show that, because it is changing this thing from a remarkable achievement on

their part to a faulty one, depending on whether I be right or the other witness.

Senator VARDAMAN. You say 1,000,000,000 pounds?

Mr. EARLE. One billion four hundred and eighteen million pounds. That is the correction that I think should be made. I say, on one item, a table has been put in here which Senator Reed put in—and I think put it in perfectly fairly. I want to say that, but I think he was misled and he does not want to know how.

The CHAIRMAN. Well, I will tell you about that. I think I know as much about that table and its accuracy and where it came from as you can tell me.

Mr. EARLE. You know all about it and I know nothing about it except that it is wrong.

The CHAIRMAN. You may think that it is wrong.

Mr. EARLE. I know it is.

The CHAIRMAN. But it may be that it came from a very much higher authority than you can be on the sugar question, sir, and I do not regard your answer as quite courteous.

Mr. EARLE. It has nothing to do, Senator, with the sugar question. It was reading an item from a paper that was not in it.

The CHAIRMAN. Do you say that I read an item from a paper that was not in it?

Mr. EARLE. No, sir; I say the paper had it. I read it.

The CHAIRMAN. Oh, that is a different thing.

Mr. EARLE. If any high authority gave you that, he did what men can easily do, he made a mistake in some way. It is a question for a schoolboy, not for a sugar expert, to know whether you are reading an item correctly or prescribing it correctly.

The CHAIRMAN. Well, I know that this statement was made up honestly.

Mr. EARLE. I have not said anything else.

The CHAIRMAN. And read into the record honestly.

Mr. EARLE. I could not believe anything else.

The CHAIRMAN. And if there is any mistake as to any item in it—for instance, if you say that the production in tons for 1912–13 was not 18,186,000 tons, as is stated in round numbers—you ought to tell us what that tonnage is; and so with all the other figures that are in this statement.

Mr. EARLE. I think, Senator, you misunderstand entirely; that I called attention to an error of 420,000 tons. I made no criticism. I simply thought that you would like not to have this committee have before it a misstatement, if it was a typographical error or anything else. I can give you the figure if you want it, and I think you have it already, because it is 420,000 tons too much. I have not the slightest desire to testify, or annoy you gentlemen. I thought you wanted facts. I have given you the facts.

The CHAIRMAN. We have been trying to get the facts, and about all that we have gotten is opinions.

Mr. EARLE. I have not expressed an opinion.

The CHAIRMAN. Very well; if you have not expressed an opinion——

Mr. EARLE. Well, the gentlemen who hear me will have to judge of that.

The CHAIRMAN. Very well.

Senator JONES. I would like to make a statement in the record. This witness was asked to state in his own way anything which he had to say that he thought would shed light upon the questions on which the committee is supposed to be examining. In order to present the points which he desired to elucidate, he referred to the testimony heretofore given, without mentioning the name of any witness. As I understand it, the witness desired to call attention to the points which were supposed to have been made by testimony, merely for the purpose of making corrections, and I should like to ask the witness if that is not true.

Mr. EARLE. I had no other purpose.

Senator JONES. And one of those points was that the impression had been left before the committee, if not the direct statement made, that during the last calendar year, 1917, there was not a shortage of sugar; and the witness undertook by his figures to show that there was a shortage of sugar, and undertook to give the source of authority for that statement, and call attention to the places wherein inaccuracies had crept into the testimony heretofore given to the committee.

Mr. EARLE. Exactly.

Senator JONES. Am I not correct in that?

MR. EARLE. That could not be stated better.

Senator JONES. I should like to have the witness proceed and state wherein the error lies in the testimony which has been presented, regardless of the reason why it is there. We know that all of the testimony up to the present has been based largely upon estimates, and if there are any known results now that we may take advantage of to aid us in this inquiry, I should like to have the witness give them, and I wish, Mr. Earle, you would point out, if you can, if the chairman of the committee will permit me to ask the question, wherein the estimates made in the testimony heretofore have been ascertained by you to be inaccurate, and what is the basis of your judgment as to the inaccuracy?

The CHAIRMAN. Just a word. Repeatedly, as we have proceeded this afternoon, I have said that it was my opinion that that sort of testimony was not proper and was not desirable. It is true that I asked the question in a general way, but I asked this witness for facts, and when I discovered that he was proceeding in the form of commenting on the testimony of another witness I saked him to desist. But repeatedly I have said that that sort of testimony is not of value and have turned to the committee to ascertain whether any of them wanted it. I have not tried to deprive any member of this committee of the right to hear any testimony he desires to hear. If there is any member of this committee who thinks that the proper way to get at the facts in this hearing is to let a witness read another witness's testimony and then come in and point out what he claims are inaccuracies, I have no quarrel with that view. I simply decline to spend my time listening to it, but the committee can proceed and hear all they desire.

Senator JONES. My understanding is that the witness was not reading the testimony of any other witness except for the purpose of calling attention to the point about which he wished to testify.

Mr. EARLE. That is all.

The CHAIRMAN. There is no use cavilling about it. If you want this testimony, call for it.

Senator JONES. I do not care to be put in that position. If the chairman of the committee does not care to listen to the testimony of this kind, I do not care to bring it out.

Mr. EARLE. I do not care to give it.

The CHAIRMAN. So far as I am concerned, if I sat here alone and had to say—and I am only one of the committee—I would not permit Mr. Spreckels to come here and pick up Mr. Babst's testimony and say that Mr. Babst swore thus and so and that that was not true, or that Mr. Rolph swore thus and so and that that was not true. Neither would I permit those gentlemen to do that with regard to the present witness. That is what I object to, and I never heard it before attempted, and I have practiced law for about 30 years with more or less—failure.

Mr. EARLE. I doubt that part of your statement Mr. Chairman. A man does not fail in his profession who gets to the United States Senate.

The CHAIRMAN. Oh, yes; many of them do, and perhaps that is the reason they get here.

Mr. EARLE. That would not be my method of reasoning.

The CHAIRMAN. I am perfectly willing that the witness shall tell us what the sugar crop of last year available to the United States is, and give us his authority, and say, "These figures I am giving you are the latest figures and they are the revised figures." I am perfectly willing that the witness shall tell us that the latest facts are either that the Java sugars can be moved to the United States or that they can not, whatever the fact may be. The thing I am objecting to is a witness reading another witness's testimony and proceeding to a dissertation upon it. I have never heard it attempted before in my life, but if Senator Jones, who is a very fine lawyer, wants to hear it, well and good, or Senator Vardaman, or anyone else.

Senator JONES. As I stated before, I think the witness was referring to that testimony only for the purpose of getting before the committee the point to which he wished to address himself.

Mr. EARLE. To make some corrections that I thought were errors. I can not correct a mistaken statement unless I say what it is, but I do not want to testify, if it is offensive to any of you gentlemen. There are some other very serious errors that go to the issue that you are trying, but if it gives offense, it is of no interest to me.

The CHAIRMAN. There is no question of offense about it.

Mr. EARLE. You see, if I may state it to you frankly, I would not have one unpleasant word to say if you had stopped Mr. Spreckels when he was attacking all of us the way you have stopped me.

The CHAIRMAN. Let us get to the bottom of this attack business. I do not think there was anything of the kind.

Mr. EARLE. If you will acquit me, then I will not say another word.

The CHAIRMAN. I think you are putting a construction upon it that is unjust to yourself.

Mr. EARLE. There is another place in his testimony in which he referred to us as so-called independents.

The CHAIRMAN. Now let us see what all this trouble amounted to. I think you are unduly excited about it

Mr. EARLE. I will take your word for it and I do not care to go further with it.

The CHAIRMAN. I know it did not make the impression upon me that you were in a Sugar Trust. I thought that you were an independent refiner, though I thought you probably had some contractual relations with what I will call Mr. Rolph's company, for I can not remember the name of it.

Mr. EARLE. I have not the slightest——

The CHAIRMAN. You had some contractual relations regarding supplies of sugar?

Mr. EARLE. That is entirely different from his company. He is a competitor. Those other gentlemen just sell raws.

The CHAIRMAN. I read now from Mr. Spreckels's testimony at page 8 of the printed hearing:

The CHAIRMAN. By what name is that known?
Mr. SPRECKELS. The American Sugar Refining Co.
The CHAIRMAN. How many of these different refineries that you have named are either owned by, or under the control, through stock or otherwise, of that company?
Mr. SPRECKELS. Five are directly owned. They have stock interests in other companies.
Senator KENYON. What per cent, would be better, of the total?
Mr. SPRECKELS. Of the total, about 40 per cent.
The CHAIRMAN. About 40 per cent of the total sugar business of the country is done——
Mr. SPRECKELS. By the so-called Sugar Trust.
The CHAIRMAN. What per cent is done by the Federal Co., of which you are the president?
Mr. SPRECKELS. Ten per cent of the whole, possibly a little in excess of that.
The CHAIRMAN. For the sake of the record, I wish you would state, if you can, those companies which in your judgment are completely outside of the trust or trust control or operations. Can you do that?
Mr. SPRECKELS. I would not want to guarantee any of them excepting my own.
Senator KENYON. Do you think all the rest are controlled in a way by the trusts?
Mr. SPRECKELS. I think a great many of them are more or less affiliated with them in one way or the other.

There is surely nothing in that.

Mr. EARLE. Now, on page 20, I think you will find he speaks of us as a so-called independent, and if that was not throwing out something to excite the suspicion of people that we were engaged in the criminal trust, then I do not know what would.

Mr. MCCARTHY. May I call your attention, Mr. Chairman, to an answer right after the last one that you read on page 8:

Senator VARDAMAN. There is an understanding between them?
Mr. SPRECKELS. I think so.

The CHAIRMAN. An understanding between some of them. He does not say what ones. If it is any satisfaction to you, I would say to you that so far as I am concerned, speaking for myself, I did not understand anyone to charge your company with being a part of the American Sugar Refining Co. or a member of any trust. I do not so understand it now. I have thought you were an independent company, though I thought that probably or possibly there was some kind of relationship between yourself and these Hawaiian sugar producers, and I only inferred that from the fact that your company was getting a large amount of sugar from them; but that is very far from being a criminal trust, and I did not understand Mr. Spreckels to say so. I do not understand that to be the fact, and if that is the

least bit of satisfaction to you I am going to state it here in the record, as it is now in the record.

Mr. EARLE. I am exceedingly obliged to you. That is all I want.

The CHAIRMAN. I do not think there is any criticism of your company.

Senator VARDAMAN. Mr. Chairman, I could not be altogether true to myself if I should fail to state just at this point that I have gathered from a great deal of testimony that has been adduced that the majority of these refiners were more or less interested in, affiliated with, controlled by the American Sugar Refining Co., or the Sugar Trust.

Mr. EARLE. It is a very general opinion.

Senator VARDAMAN. That is the impression made on my mind. If it is not a fact I think it would be very well for the American people to know that. We brought out the testimony, you will recall, that the American Sugar Refining Co. did own a great deal of the stock, 25 per cent of the stock, in a great many of these beet factories.

The CHAIRMAN. That is true.

Senator VARDAMAN. And I had an idea that that was the bellwether of the flock.

Mr. EARLE. You have struck the exact point, Senator. People are suspicious about it, and it does hurt an honest man to be suspected.

Senator VARDAMAN. If that is true, I think it is perfectly pertinent to remove from the mind of the other members of the committee, which is on my mind, the impression that there was such an understanding.

The CHAIRMAN. Very well. If you have that understanding, all right. I want to say that Mr. Babst himself testified that the American Sugar Refining Co. controlled about 41 per cent of the cane-sugar refining business.

Senator VARDAMAN. Yes, he said that.

Mr. EARLE. He got his allotment upon that basis. Our committee has allotted him 41 per cent in round figures upon the basis that he controlled that amount. But Senator Vardaman is right. Any sugar refiner would know that that was the intimation intended to be established, and because of what the Senator calls attention to there is that general public opinion; but since you gentlemen know that it is not so, I hate to waste your time.

The CHAIRMAN. Mr. Babst stated in addition to that that his company had an interest in several of the beet factories.

Mr. EARLE. Yes. If it is interesting I have information upon that subject, because we met and had to go over just who was to get the sugar,and then we found how much they were alligned to each other.

The CHAIRMAN. Who was alligned—the beet-sugar people?

Mr. EARLE. No, all of the cane manufacturers. Of course each fellow fought for as large a proportion of these coming sugars as he could, and the American asked, I think, about 41 per cent on its proportion of the trade.

Senator VARDAMAN. So far as I am concerned I would like to have the sunlight of publicity shine in on all of it.

Mr. EARLE. I hope you understand that is what I am trying to help you do. Mr. Chairman, would you like to look at these figures on this document?

Senator VARDAMAN. You may proceed.

Mr. EARLE. The American had 41 per cent, made up as you have already heard. It has a control of the Howell refineries, and I know the Howells have asked to sell, they do not want to have even a noncontrolling interest. It is evident from the refiners that are acting apparently independently, that they are independent. I have seen it in the meetings of our committee.

Senator VARDAMAN. Is it not a fact that most of the refiners follow the lead of the American, or what is known as the Sugar Trust?

Mr. EARLE. Not lately.

Senator VARDAMAN. At what time did you break away?

Mr. EARLE. Since I have been in the business the American has generally acted differently from any other refiner. At present you probably have heard a great deal of testimony on its policy being divergent from that of all of the others. We, for example, sell through brokers, and the American does not, and I think you have no doubt heard from that.

The CHAIRMAN. I think this document which you have just handed to me has not been put into the record.

Mr. EARLE. I do not think it is complete yet.

The CHAIRMAN. What can you tell me about the document?

Mr. EARLE. That is a draft of the contract they are trying to make for the Cuban sugar crop, and I think you ought to treat it as confidential—not because of any reason that I have, but they are negotiating with gentlemen from Cuba and other foreign countries, and that has a table of apportionment which Mr. McCarthy, who handed it to me, no doubt thought would be useful to you, but it would be misleading to publish it because it has not been agreed to.

Mr. MCCARTHY. I would like to say that the completed draft I will be pleased to send on to you, Senator. It has just been completed. This is only the temporary draft.

(The document referred to was later produced and marked "Exhibit No. 265.")

The CHAIRMAN. Very well, I will ask you to send that down. I think we had better suspend at this point, and, Mr. Earle, I wish you revise your methods so that you tell us the facts about sugar production in your own way and leave other people's testimony about it alone, for I am not going to permit some one to come back and comment upon your testimony if I can help it. I may comment comment upon it.

Mr. EARLE. I understand you want to be perfectly consistent, but I thought it would help you to correct what I thought were incorrect figures, and I could not do it without referring to what I was correcting.

(Thereupon, at 5 o'clock and 5 minutes p. m., the subcommittee adjourned until to-morrow, Thursday, January 17, 1918, at 10.30 o'clock a. m.)

SHORTAGE OF SUGAR.

FRIDAY, JANUARY 18, 1918.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock, pursuant to adjournment, in room 226, Senate Office Building, Senator James A. Reed presiding.

Present: Senators Reed (chairman), Vardaman, and Jones.

TESTIMONY OF GEORGE H. EARLE—Resumed.

Mr. EARLE. Mr. Chairman, you asked me the other day for some figures, and I have them here on a paper which was sent down. This is complete to date. What was given was a mere opinion and this is from our books.

(The paper referred to was marked "Exhibit No. 266," and is herewith printed in the record, as follows:)

EXHIBIT NO. 266.

JANUARY 16.

[Telegram—Regular rate.]

Mr. JOHN A. MCCARTHY,
Hotel Grafton, Washington, D. C.:

Arrivals at refinery: Hawaiian, two 1,000-pound tons. For 1916, 26,199 tons; January, none; February, none; March, 16,263; April, 12,420; May, 14,084; June, 16,036; July, 13,423; August, 16,843; September, 6,059; October, none; November, none; December, none. For 1917, 129,984 tons; January, none; February, 2,863; March, 7,770; April, 12,006; May, 13,396; June, 19,649; July, 15,757; August, 16,604; September, 13,655; October, 11,402; November, 11,482; December, 5,400. For 1918, January, none.

PENNSYLVANIA SUGAR CO.,
S. S. JAMES.

The CHAIRMAN. Senator Jones, you suggested the other day when we were obliged to adjourn that you, perhaps, would be able to shorten the testimony of Mr. Earle, and I am going to say to Mr. Earle and to all the members of the committee—just making the suggestion as one member of the committee—that I think we ought to get at the coal situation just as quickly as we can, and we ought to shorten up Mr. Earle's testimony, not to circumscribe it in any way, but to omit all of the nonessentials, and get through this morning, because I know there are some important witnesses here on the coal matter.

Senator JONES. With that end in view, I asked Mr. Earle to come to my office yesterday morning so that I might get in concise form the points he desires to bring out, and I believe that we can very briefly get those points.

Mr. EARLE. Mr. Chairman, may I make a correction in my testimony of the other day?

The CHAIRMAN. Certainly.

Mr. EARLE. I think you are quite right. I think I ought to give you the figures and let you work out the results, and not try to prove that any other figures were wrong. What I wanted to say on that subject in a nutshell, and I could not do it on the stand because I had to think it out, is that the statistics that were given to you gentlemen are statistics that until the end of the year are largely estimates.

That is all I wished you to know—that, for example, the first Louisiana estimate was 300,000 tons, and it gradually decreased to the last estimate, with fuller information, of 208,000 tons; that the American beets, as estimated, were 846,000 tons, and that the last estimate from the same authority is 750,000 tons, or a decrease of 96,000 tons; that the consumption, which people could only guess at when the figures came out, was 295,500 tons more than the estimate submitted before the committee. The total of that is 483,580 long tons. As to the 180,000 tons, I believe you are right about that. That was a reference to the world supply and not to our local supply. I think that ought to be stricken out entirely. There was a conflict in the testimony. You were speaking of the world supply and the witness was speaking of the other, and I did not get which it was, but taking the whole subject together, Mr. Chairman, I think you are entirely right.

Senator JONES. I will ask you if you have any data which you could give us as to when this increase in consumption occurred?

Mr. EARLE. That is all reported in Willett & Gray from time to time.

Senator JONES. I would like to get a statement of that in the record.

Mr. EARLE. In the first six months of the year the increased consumption was 228,000 tons. It is all in evidence in another paper you have. I think that advanced up to the 1st of October to 371,000 tons. Is not that correct, Mr. Hoodless?

Mr. HOODLESS. Three hundred and ninety-one thousand tons.

Mr. EARLE. From then it fell off so rapidly that it finally ended up at the figure I have given you—295,000 tons in round figures. In other words, there was a very great increase in consumption in the early part of the year, which reached, out of the 295,000 tons, 228,000 tons by the middle of the year. It advanced for a while, and then ran off until finally the figures are about 100,000 tons less than the peak figures.

Senator JONES. The highest point of consumption was how much?

Mr. EARLE. Three hundred and ninety-one thousand tons.

Senator JONES. But the consumption fell off after that to such an extent that it made for the year only an increase in consumption of 295,000 tons?

Mr. EARLE. Taking the round figures, yes.

Senator JONES. I think you have made some investigation as to the household consumption. Our record is in confusion as to the quantity of sugar per capita used in households and manufactories.

Mr. EARLE. That is all settled by governmental statistics.

Senator JONES. I wish you would present those. We have not had them so far.

Mr. EARLE. You will find that the British Government and the Government of the United States both examined that question for America, and the Senate ordered the British estimate printed as a document, being Senate Document No. 38, Sixty-second Congress, first session.

The CHAIRMAN. That is the British estimate?

Mr. EARLE. That is the British estimate of our family use; it is a British estimate of American statistics, which the Senate ordered printed.

Senator JONES. I wish you would state the result of that investigation.

Mr. EARLE. I would rather give you the page of the document on which it is referred to. It is on page 49. Shall I read it?

Senator JONES. Yes.

Mr. EARLE (reading):

> The average weekly consumption of sugar per capita is, for the whole group, 1.06 pounds. Of the components, the American and Canadian returns show an average of 1.03 pounds, and those of the British-born 1.13 pounds. The range within the group is as usual, very considerable, viz, from 1.44 to 0.78 per capita. Out of the 37 subgroups of 25 budgets or more 22 show a consumption of at least 1 pound per capita weekly, and the mean for the remaining 15 subgroups is 14 ounces per capita weekly, or 45.5 pounds per annum.

Senator VARDAMAN. That is the English estimate of the American consumption?

Mr. EARLE. Yes. Now, I have the American estimate.

Senator JONES. I wish you would give that.

Mr. EARLE. The next document I refer to is a bulletin of the United States Bureau of Labor Statistics on the retail prices and cost of living, whole No. 113, series No. 5. Printed by the Government Printing Office March 18, 1913. I refer to pages 29 and 31 of that document. On page 29 it divides the matter into groups. It takes the average family—and these are laboring men's families—as were used in the estimates of the British, and I think I ought to state here that in the groups they took certain numbers of thousands of workingmen's families. In the American estimate they figure the family to contain 5.31 persons, and the figures are based on returns taken from 2,567 families in different sections of the United States. The total consumption was found to be per family 268.5 pounds, which, divided by the number composing the family brings the consumption to about 50 pounds per person. There is another document I have here, a bulletin of the Bureau of Labor, No. 93, issued March, 1911. On page 546 of that document is found the following:

> The average weekly consumption of sugar per capita is, for the whole group, 1.06 pounds. Of the components, the American and Canadian returns show an average of 1.03 pounds and those of the British-born 1.13 pounds.

The CHAIRMAN. These three documents have been handed in and will be filed with the records of the committee and marked for identification.

(The documents referred to were marked "Exhibit No. 267," "Exhibit No. 268," and "Exhibit No. 269.")

The CHAIRMAN. That means approximately a consumption of 50 pounds per capita per year?

Mr. EARLE. I should say plus a little above 50 pounds, because the better-off classes are not included in this estimate. I should say 55 pounds would be the limit.

The CHAIRMAN. You think 55 pounds would be a pretty good average of the individual consumption?

Mr. EARLE. Yes; based on these Government statistics.

The CHAIRMAN. By that you mean the consumption of sugar that goes into the family for use on the table?

Mr. EARLE. That is what I understand.

Senator VARDAMAN. That does not include manufacture?

Mr. EARLE. No; these are statistics gathered by taking a certain number of families in different parts of the country.

Senator VARDAMAN. What year?

Mr. EARLE. About 1913.

Senator VARDAMAN. And you think it is about the same now?

Mr. EARLE. I hate to guess, but I think there has been a heavy increase in the consumption. I think preserving accounts for a lot of that, but you gentlemen have heard all of that story. People have to have alcohol; and if they do not drink, they eat sugar, which the body turns into alcohol. We are spirit lamps, really.

The CHAIRMAN. This average consumption of sugar is gathered by getting the consumption in families. I wonder how much it would be reduced if we were to take into consideration the victims of the boarding houses.

Mr. EARLE. I do not know. I once heard of a boarding-house keeper who said she found out what her boarders did not like and then gave them lots of it. That might reduce the average.

The CHAIRMAN. I am interested in your last statement. You explain an increased demand for sugar on the hypothesis that there has been a decrease in the consumption of alcohol, and that if we eat sugar the sugar is transformed into alcohol in the body, and that takes the place of the alcohol that otherwise would be drunk in the form of liquor?

Mr. EARLE. I do not think I ought to go into family history, but my old grandmother used to advise the girls in the family never to have anything to do with a man that did not like candy. That is, I believe, an ascertained physical fact. It makes animal alcohol.

The CHAIRMAN. The trouble with that argument is that if you follow it to its logical conclusion the proper thing to do would be to have the alcohol made by mechanical devices to save all the economic waste involved.

Mr. EARLE. Unfortunately, the body makes exactly the grade needed, and the other is, to a certain extent, poison.

Senator VARDAMAN. Yes; the body appropriates the nutritous elements in it.

Mr. EARLE. Exactly.

Senator VARDAMAN. While the manufactured stuff contains pure poison.

Mr. EARLE. The manufactured alcohol poisons the arteries. That is the reason that it stimulates you.

The CHAIRMAN. I am myself interrupting the course of the examination. I beg pardon; let us go ahead.

Senator JONES. Mr. Earle, there has been a good deal of discussion here as to the lack of transportation facilities in order to get sugar from the west coast to the east. I wish you would tell us what you know about that.

Mr. EARLE. I only know my personal experience, except what we all know, that the railroad situation is critical; but in our own experience, gentlemen, we had sugar arrive in San Francisco on dates making up September 26 for the average—the earliest date was September 14 and the latest date was October 8—and that sugar is not here yet—4,000,000 pounds.

Senator JONES. Four million pounds of sugar shipped between September 14 and October 8 has not been received as yet?

Mr. EARLE. Yes, sir.

The CHAIRMAN. How much did you receive during that period?

Mr. EARLE. Whatever we received came earlier; but I will get that for you, if you want it, also.

The CHAIRMAN. Have you received nothing since September 15?

Mr. EARLE. Oh, we have received sugar right along, because there were still earlier shipments. The table I gave you shows that sugar is coming all the time.

The CHAIRMAN. Have you received nothing that was shipped since September 15?

Mr. EARLE. I could not say that. I would rather think it was so. I am speaking now of our Hawaiian sugar.

The CHAIRMAN. That is what I am speaking of.

Mr. EARLE. Can I ask Mr. Hoodless? He has charge of those matters.

The CHAIRMAN. Certainly; ask him.

Mr. HOODLESS. We have received sugar continuously, but we still have outstanding—that is, last Saturday; we have been away since then——

Mr. EARLE. That is not the Senator's question. He wants to know whether the Hawaiian sugar you have received since then was shipped before that date or later.

Mr. HOODLESS. Some of it later, and some of it earlier.

The CHAIRMAN. This one shipment of 4,000,000 pounds, then, is a sort of a case by itself?

Mr. HOODLESS. No; it is cars and shipments made on a great many different dates that have not yet arrived.

The CHAIRMAN. That is, out of all the shipments you have had since that date, taking the cars that have failed to arrive, they aggregate 4,000,000 pounds?

Mr. EARLE. You have it exactly, sir; but all of them have been very much delayed.

Senator JONES. Complaint has been made that the supply of sugar was curtailed by reason of the fact that after the agreement of October 1, 1917, between the refiners and the Food Administrator, sugar could not be obtained from Cuba for use in this country. I should like you to state what the condition of the Cuban sugar situation was at that time, and what influence, if any, the agreement referred to had upon the question of obtaining that sugar.

Mr. EARLE. I think it had no effect either way, except to prevent prices mounting. I do not think it produced a pound of sugar. I know it did not destroy a pound of sugar.

The CHAIRMAN. Did it hold back a pound of sugar temporarily?

Mr. EARLE. I do not think so at all. My own estimate—and I have warned you about estimates; it is just the best guess I can make; that is what an estimate on this subject is—is that there was about 50,000 tons. People are all the time confused by overlooking the fact that a great part of the sugar in Cuba is always sold. It is not available. It belongs to somebody else. I think a negligible amount of that 50,000 tons got to Canada, and it would have had to be sent there anyhow. I think about thirty-five to forty thousand tons got to the United States, and has been used.

The CHAIRMAN. It did not get to the United States as it would have if it had not been for this order, did it? You can not say that, can you?

Mr. EARLE. I say that it came here.

The CHAIRMAN. But is it not a fact that the order delayed it coming here? Is not that a fact that is indisputable—that for a long time there were no purchases, and nobody was allowed to purchase?

Mr. EARLE. I would not express any opinion upon that; but whether it delayed it or not made no difference, because the scarcity now is at its highest point.

The CHAIRMAN. But the question is, did it delay it? That is all I am interested in.

Mr. EARLE. I would have to know the individual operations of every different man that owned any sugar in order to answer that question.

The CHAIRMAN. But do you not know, as a matter of fact, that when this order went into effect, everybody quit and had to quit buying Cuban sugar for a time, and that afterwards there was some readjustment made as to the price, and then the sugar came on to the United States?

Mr. EARLE. I do not want to be too certain, Senator, but I have a sort of recollection that a pool or something was gotten up that took every bit of sugar that was offered and then later turned it over to the administration.

The CHAIRMAN. Exactly. There was a delay, however; was there not?

Mr. EARLE. Well, any order would cause a delay, I should say.

The CHAIRMAN. There was a delay of some weeks, was there not?

Mr. EARLE. I would not like to guess on that subject.

The CHAIRMAN. Pardon me for interrupting you, Senator Jones. I thought it would save my going away back to it.

Senator JONES. That is all right.

Mr. EARLE. My own judgment is that any new order would probably cause some delay. When trade flows freely, it flows regularly, and artificial action necessarily stops that channel moving. That would be my opinion, but I do not know that you want it. I have no knowledge on the subject.

Senator JONES. Your first statement indicated that you were of the opinion that if the order or agreement had not been entered into regarding the purchase of Cuban sugars the price would have gone higher. I wish you would state more in detail to what extent, and why you think so, and so on.

Mr. EARLE. I am a believer in natural laws, wherever they can be permitted to operate, and I believe that in the enormous scarcity

that we all know about the richer part of the community would have paid very high prices to get the sugars they wanted. In fact, I know they would. We had applications. Then there was another part of the community, people who had fruit, the man who would have several carloads of pears, for example—this was constant; we were called up every minute—that would rot in a little while, and he would either lose his whole investment or have to have sugar to preserve his pears; and as there was practically no sugar for a while, I have not the slightest doubt that I could have sold all the sugar we had at 50 cents a pound—not the slightest. But, now, that is an estimate again.

The CHAIRMAN. Let me ask you if you would have done it?

Mr. EARLE. Certainly I would not.

The CHAIRMAN. Then we would not have had that 50-cent sugar, as far as you are concerned?

Mr. EARLE. No; not as far as we are concerned. Oh, you would have had it, but you would have had it at a lower price.

The CHAIRMAN. We would have had the sugar, but not the price?

Mr. EARLE. I think so. The fact is, we would have had to sell it. We have not enough money to keep it.

The CHAIRMAN. Do you think the other refiners are worse than you in that respect?

Mr. EARLE. Well, we were talking about 50-cent sugar.

The CHAIRMAN. I am talking about 50-cent sugar.

Mr. EARLE. I do not think any refiner would have asked 50 cents. I do not think public opinion would have permitted it.

The CHAIRMAN. Do you think any of them would have asked 30 cents?

Mr. EARLE. No; but I know that——

The CHAIRMAN. Do you think any of them would have asked 25 cents?

Mr. EARLE. Now, Senator, you are getting me to do just the thing that I promised you I would not do—to guess what somebody else would have asked.

The CHAIRMAN. That was Senator Jones's question—what you thought prices might have gone to—and having gone into that subject I had to follow it.

Mr. EARLE. I am quite willing to go into it, but I do not want to be considered an oracle on my guesses. I know that sugar did sell very freely at 9½ cents. It reached that point wholesale. Nine and three-quarter cents was the price it reached, and therefore I know that people would have sold at that price.

The CHAIRMAN. That was before the new crop began to come in?

Mr. EARLE. That was the peak price. Instead of that, we were asked to agree not to do it. That is really all Mr. Hoover did—I mean as far as we were concerned.

Senator JONES. How high had Cuban raw sugars sold in the market? Do you recall?

Mr. EARLE. I can find out from one of these gentlemen. They have the statistics here. I do not recall.

Mr. ROLPH. 7.77 was the highest.

Mr. EARLE. 7.77.

Senator JONES. I thought I had seen that figure somewhere.

Mr. EARLE. That would be my recollection, but I do not want to mislead you, gentlemen, and when I really do not know accurately I am going to say so.

Senator JONES. Now, then, Mr. Earle, if there had been no agreement, taking into consideration your experience and study of the sugar market, would those raw sugars have gone to even a higher price?

Mr. EARLE. Oh, there is no question about that. There were certain factory conditions that made that inevitable that will be useful, I think, to you gentlemen. In this labor situation, if you let your people go now, you run a great risk of having no sugar at all. They are so much wanted that they would all be employed in other pursuits, and there is no floating supply to speak of. Therefore, every one of us—I do not mean that patriotism might not bring about the same result—but for purely business reasons, every one of us are keeping all our help, although we have not been running, and there has been an enormous cost; but it would terribly jeopardize this situation if those forces were dissolved, and I would be delighted to buy sugar at a loss and run as a near-profitable thing, because the amounts we are paying out now for wages would be in part made up. Do I make myself clear about that?

Senator JONES. I think so.

Mr. EARLE. There are two vital things in having sugar. There is an oversupply of refining capacity in the United States. If you have customers, you want to keep them. I will give a premium instantly for sugar, if the administrator will let me, to keep my force occupied and reduce that loss and to take the other fellow's customers. That is exceedingly good business, but it is only a temporary and unusual thing.

Senator JONES. Mr. Earle, I believe you are a member of the international commission?

Mr. EARLE. No, sir; I have nothing to do with that. I merely represent the refiners. I am on the refiners' committee. They were both appointed by Mr. Hoover.

Senator JONES. And that committee has to do with the distribution?

Mr. EARLE. Among the refiners.

Senator JONES. Among the refiners?

Mr. EARLE. The other gentlemen buy the sugar, and say what portions shall go abroad and what portions are to be used in Canada, and here, etc.; and then, when they have got their surplus over, they certify it to the refiners themselves. I think every refiner is practically represented on that committee, and then we say what is fair among ourselves, and we have not had a dispute.

Senator JONES. I was going to ask you in regard to that—whether or not any favoritism had been shown in the distribution of that sugar among the refiners?

Mr. EARLE. There was one refiner, in the case of this first lot that I speak of, that had contracts and had not the sugar to cover them, and I think by general agreement he was allowed to have more than his proportion. There was nothing unfair about it.

Senator JONES. That was the Federal Sugar Refining Co.?

Mr. EARLE. Yes; but he was in dire distress; and we were quite willing to waive our rights to help him out.

The CHAIRMAN. That was charged to him, I suppose?

Mr. EARLE. Oh, later it will be put against his account; but it was not favoritism in any sense, except that I would expect them to favor me if I was in a hole, and they could do it without too great loss. I do not think there has been a line of testimony to the effect that anybody was dissatisfied with his treatment by that committee. I have got the apportionments here if you would like to see them, Senator.

The CHAIRMAN. No; I do not think there is any dispute about that.

Senator JONES. I do not think we need that. I presume you have been in rather close touch with the organization of the international commission and the refiners' commission, have you not?

Mr. EARLE. I have had to be.

Senator JONES. I wish you would state, if you have any reason for the statement, why refiners were appointed on the international commission or committee.

Mr. EARLE. I think that was the shrewdest thing Mr. Hoover did, and that is really the reason why I am in sympathy with Mr. Hoover. Instead of applying these arbitrary methods which caused such confusion he got us all together and appealed to our patriotism to fix our own prices on ourselves at what he thought was fair, and we all did it; and as far as refining is concerned that is about all he has done. If he had fixed arbitrary prices he might have stopped production, but he took the men who knew the business—these men have no discretion, nor have they any power—he took the men who had sugar; he wanted to get it from them cheaply for the people; and he got them to agree to a figure that he thought was fair and that they were willing to concede; and that is the reason why I prefer this method to the coal administration. I do not like these governmental regulations. If business men are not to be consulted, you are going to have confusion all the time.

Senator JONES. Then what he has actually done has been to bring about this adjustment or regulation of prices and supplies by agreement of the parties engaged in the industry?

Mr. EARLE. I should like to tell you, if it is acceptable, just what he has done.

Senator JONES. Very well.

The CHAIRMAN. Now, let me see. Of course, if we go into that, all right.

Mr. EARLE. It will take only a minute.

The CHAIRMAN. If we are going to have a witness here take the stand to pronounce eulogies and give his opinions of Mr. Hoover I want to call two or three million people who have opposing opinions.

Mr. EARLE. Yes; easily; because this is a very disturbing subject; but I do not want to do that, Senator. I want to tell you exactly what he did.

The CHAIRMAN. Is there anything new? It is all shown in the record, is it not?

Mr. EARLE. It is entirely new, Senator; and I really think it will help you.

The CHAIRMAN. Very well. If it is something we have not heard, go ahead.

Mr. EARLE. Under the British system the Government supplies the money, buys the sugar, and sells it. That is done by funds raised by taxation. Mr. Hoover, however, ingeniously made the refiners do that. We have to find the money, we have to pay for the sugar, and we have to pay the expense of this whole administration, and yet we are limited in our price by our own agreement. That is all he has done—I mean, so far as refiners are concerned. That, I think, is far more in accord with political economy than arbitrarily telling us that we shall shut down, or that we shall do this or do that. That is a proposition with which I have no sympathy.

Senator JONES. Did this agreement as to the differential which the refiners might charge between the cost of raw sugar and refined sugar bring about a reduction in that differential, or otherwise?

Mr. EARLE. Our differential—I had a report made up—was $1.61 last year (I am speaking of net figures), and he reduced us to $1.30, and every cost has gone up since then. Now, that is all he did, if you want to know the fact, as far as that is concerned. I personally think Mr. Rolph overpersuaded us, because costs have gone up so that I do not know whether even that large split will cover expenses. We are losing money at present, but it may get better.

Senator JONES. I should like to ask you whether or not even this $1.30 differential is too large?

Mr. EARLE. I told the food control when they appealed to our patriotism that I would take any price they said was fair. Some of the refiners wanted $1.50. We finally wrote on pieces of paper what was the lowest we would take, every one of us, and those pieces of paper have been kept. I think mine was the lowest, at $1.25 a hundred, and that—I need not give names—some other gentleman wanted either $1.40 or $1.50. It was an impossible thing to fix promptly, so Mr. Rolph reserved the right, when we had actual results, of revising it again. There is not even a permanent agreement as to that. It is subject to revision from day to day.

The CHAIRMAN. What is subject to revision?

Mr. EARLE. The split that we are allowed.

Senator JONES. The differential.

Mr. EARLE. He got, by voluntary agreement, without using any compulsion, $1.30, and he thought it was good business to take that, but made the reservation that he could change it if he found we were making too much.

The CHAIRMAN. And suppose you were making too little?

Mr. EARLE. Oh, I have not the slightest doubt that he would be fair about it.

The CHAIRMAN. Why, of course.

Mr. EARLE. So far, this has gone the way I think it should be. If it does not go that way, I will kick just as hard as I would about the coal law.

The CHAIRMAN. You are perfectly satisfied up to date?

Mr. EARLE. Up to date. At present I am losing money, but I think that is because of the coal not running regularly, and everything.

The CHAIRMAN. You know that is not on account of the differential, do you not?

Mr. EARLE. Well, it is not at this season of the year. The differential later will average, I hope.

The CHAIRMAN. I mean by that, you know that the reason the differential has not worked out in a satisfactory way is because of these generally disturbed conditions, to wit, lack of coal and lack of transportation?

Mr. EARLE. Largely; except, Senator, you ought to know that our manufacturing price may vary from 59 cents to $2 if we do not run full; and at this season we are not apt to, anyhow, until the new crop comes in.

The CHAIRMAN. Exactly; but so as to clear this up—because I find that if we leave a matter and go away along, and then clear it up 40 pages afterwards, nobody finds it——

Mr. EARLE. I think you see I am anxious to help you.

The CHAIRMAN (continuing). So as to clear this up, while you say you are running at a loss at the present time, that is due to temporary conditions?

Mr. EARLE. Conditions that I hope are temporary.

The CHAIRMAN. And when the traffic of the country is cleared up, and the coal begins to flow——

Senator JONES. And the sugar begins to come in quantities.

The CHAIRMAN (continuing). And the sugar begins to come—that is, the new crop begins to come in, as it will come in—then this differential will work out in a satisfactory manner?

Mr. EARLE. I think you are perfectly right, sir; but I am referring to present conditions.

The CHAIRMAN. Oh, I understand.

Mr. EARLE. And you know them perhaps as well as any man in the country.

The CHAIRMAN. At present there are probably 200,000 factories in the United States standing idle.

Mr. EARLE. Exactly.

The CHAIRMAN. And their costs are very high; but that is due, not to their bad business management nor to their bad bargaining; it is due to a bad condition which may or may not be unavoidable.

Mr. EARLE. You have it exactly, Senator.

The CHAIRMAN. I get your idea.

Mr. EARLE. My belief is that this is a fair average price, but it will be revised if it is not.

Senator JONES. Now, Mr. Earle, I wish you would tell us whether or not you think any additional legislation with regard to food control should be had.

Mr. EARLE. As a citizen, I do not like control. I think that the business men of this country can attend to their business and the legislatures can attend to theirs better than they can attend to it for each other. If the refiners were refractory, I think public opinion would force more Government control upon them, if they tried to be greedy. I think it is both patriotic and good business to treat this subject fairly and give the people a fair price for sugar. That is my own business feeling. I think I would do my company an injury if I took any step that would tend to any further or increased control, and I believe if the refineries were unreasonable that might result. Now, that is only my own feeling, Senator.

Senator JONES. That is due to the fact that the refiners have been brought together into a reasonable agreement and by agreement have prevented the necessity for more drastic legislation?

Mr. EARLE. Exactly. There are two methods. There is one by arbitrary edict, which I do not think is American, and there is another by persuasion and conference. So far the latter has been the only thing that has been applied to us.

Senator JONES. And you think that even in an industry of this magnitude persuasion can be made effective?

Mr. EARLE. It has been. Now, that is really all I wanted to say to you, gentlemen, and I do not want you to think that I am supporting anything else.

The CHAIRMAN. Have you concluded, Senator Jones?

Senator JONES. I was about to ask him if he has anything further to say, and he says he has not.

The CHAIRMAN. I will ask a very few questions, because I want to conclude in a few minutes. Of course, you do not mean that all that Mr. Hoover did——

Mr. EARLE. I am only referring to what I was in touch with.

The CHAIRMAN (continuing). Was merely to get the refiners to come together and agree on a differential?

Mr. EARLE. No; I do not.

The CHAIRMAN. That was the way you stated it, but I thought it was an inadvertence.

Mr. EARLE. I was referring to all he did as to refined sugar. He did thousands of things as to other matters that I know nothing about.

The CHAIRMAN. As a matter of fact, the international commission was organized, and Mr. Hoover put on the international commission three sugar refiners that have been named, and that international commission effected an understanding by which, for all practical purposes, at least, it would control the entire market for the Cuban sugar crop?

Mr. EARLE. Yes, sir.

The CHAIRMAN. That commission, through its respective Governments, could control practically all of the ships that would carry sugar from Cuba to this country?

Mr. EARLE. I should say so.

The CHAIRMAN. When that situation had progressed to that point, of course it goes without saying that the Cuban producer would have to take the price fixed, or such price as he could agree upon with the international commission?

Mr. EARLE. To a very large extent.

The CHAIRMAN. Well, that can be said practically of the crop. Of course, we are speaking of it by and large now.

Mr. EARLE. They had such power that they could have made him take a price, I believe, that would have ruined him, and then there would not have been any sugar.

The CHAIRMAN. That would have been unwise, and it would have been highly improper.

Mr. EARLE. I agree with you, Senator.

The CHAIRMAN. In addition to that, the refiners were brought together, and they made an agreement to take all of their sugar that came from the outside of the United States through an international committee?

Mr. EARLE. They made a single purchasing agent for us. That is what we did.

The CHAIRMAN. Yes. So that as it works out there was practicallv a single purchasing agent created for raw sugars produced outside of the United States, and that single purchasing agent became the single purchasing agent for all the refiners?

Mr. EARLE. That was the plan.

The CHAIRMAN. And all of the refiners did their business through this same agency that operated for both sides, in fact?

Mr. EARLE. Yes, sir.

The CHAIRMAN. Now, among other things that was agreed upon was that the refiner was to have $1.30 for refining sugar?

Mr. EARLE. Yes. sir.

The CHAIRMAN. There was no agreement effected that he should put up the money to buy the sugar. That is an agreement that is still in abeyance and has not yet been fully executed?

Mr. EARLE. I would hardly say that, because that is what we are doing.

The CHAIRMAN. Yes; but there has been no agreement signed up to date, although some of the refiners, at least, have been advancing money to the international commission to pay for sugars that have been sent to this country?

Mr. EARLE. My understanding is that there is an agreement that we are bound by what this commission will do, and that they have drawn up a contract with the Cubans and with the foreigners, or our allies, I should say, and that they have submitted to us, but they can sign that whether we want to or not.

The CHAIRMAN. I do not want to get confused. There was a contract here that was made between the refiners, and that has been put in evidence. There was another contract, which was referred to, which was a statement sent to the different refiners and which, when signed, amounted to an authorization by the refiner to the international committee to buy sugars for the account of the refiner.

Mr. EARLE. Exactly.

The CHAIRMAN. And that, of course, would commit the refiner to pay for those sugars, because he had authorized the agent to buy.

Mr. EARLE. You have got it exactly.

The CHAIRMAN. My understanding is that that contract has not been fully signed.

Mr. EARLE. Well, I think you are mistaken.

The CHAIRMAN. Very well.

Mr. EARLE. I think the contract authorizing them has been fully signed. I know there was testimony to the effect you state, but I think that is wrong. I think they have full authority to-day; but when they drew up the contract with the Cubans they thought it might affect us so deeply, as we had to pay for it to get it—they had no intention not to pay for it—that they submitted it to us, and I have signed it. I do not know whether anybody else has or not.

The CHAIRMAN. I think that can be easily cleared up, and I will pass on.

Mr. EARLE. Easily. The papers will show.

The CHAIRMAN. Yes; the papers will show. and I will pass on without pursuing it. I do not think it an exceedingly material thing, anyway; at least, not material to the inquiry I am now pursuing. Now, of course, the effect of all this is that the refiner takes no chance of buying in the market at a higher price than his rival.

Mr. EARLE. He can not, or at a lower price.

The CHAIRMAN. Yes. In the ordinary course of trade, before we had this regulation, if you went into the market and bought 100,000 tons of sugar and your rival in business bought 100,000 tons for an eighth of a cent less, he would have a very considerable advantage of you in the market?

Mr. EARLE. There is not the slightest doubt about it. If he did it often, I would go out of business; and if I did it often, he would.

The CHAIRMAN. Yes; and that risk you refiners who were not in any combination, but were in independent and free competition, constantly had in your business?

Mr. EARLE. Yes, sir.

The CHAIRMAN. And that risk has been wiped out by this arrangement?

Mr. EARLE. Also the profits that we made, which were much more desirable.

The CHAIRMAN. Wait a moment; I am coming to that. That risk has been wiped out?

Mr. EARLE. It has, sir; unquestionably.

The CHAIRMAN. Likewise, when you had accumulated or bought this 100,000 tons of sugar in normal times, you had to sell in a competitive market, and your rival in business might undersell you?

Mr. EARLE. Yes, sir.

The CHAIRMAN. And might take away your trade; and you were engaged in a pretty constant battle to keep your trade territory and your customers?

Mr. EARLE. Yes, sir. You understand it perfectly.

The CHAIRMAN. That danger has been wiped out now; has it not?

Mr. EARLE. I am glad to say it was not a danger to our plant. We throve on that condition.

The CHAIRMAN. You throve on it; but it is a danger, and it must be a danger, of losing trade, or possibly an opportunity to gain trade. That has been wiped out?

Mr. EARLE. The ordinary conditions of competition existed, and they have been removed.

The CHAIRMAN. They are gone. So that now the question that you have to confront you is not the getting of the sugar nor the selling of the sugar, but the question of manufacturer's costs. That is practically the one great problem you have before you?

Mr. EARLE. That is right, too, and that is the great problem under present conditions. It is as big as all the others together used to be.

The CHAIRMAN. Undoubtedly. Now, what was your average differential when you used to go into the market and buy and sell on the open market? What did you make, on the average, on 100 pounds of sugar?

Mr. EARLE. I can get the figures. I guess about 85 cents was the split.

The CHAIRMAN. About 85 cents?

Mr. EARLE. Now, that is a guess, Senator.

The CHAIRMAN. That covered your manufacturer's costs, your advertising, and everything else; did it?

Mr. EARLE. That covered everything.

The CHAIRMAN. Your gross differential was 85 cents. What was your net?

Mr. EARLE. And, of course, that varied, but I should say that was an average.

The CHAIRMAN. Your gross was 85 cents; your net was 85 cents minus the costs of manufacturing, of advertising, overhead, and all other incidents of your business. That is right, is it?

Mr. EARLE. Perfectly.

The CHAIRMAN. And now, all these risks having been taken away, so that you have no chance of going into a bad market to buy while your rival may best you by going into another market, and all the rivalries or dangers incident to your trade being taken away from you in the retail market also having been removed, you now get $1.30?

Mr. EARLE. You have stated part of the proposition. For example, we pay 80 or 82 cents for barrels, and we formerly paid 46.

The CHAIRMAN. I am coming to the increased costs.

Mr. EARLE. Oh! I thought you were stating the whole thing. Now, I want to say this: In a properly run refinery, what you speak of as disadvantages are really advantages. The more intelligent man gains by those things.

The CHAIRMAN. But, of course, you can not all be the more intelligent man.

Mr. EARLE. We can all try. That is what competition does for people. It makes them try to be the best.

The CHAIRMAN. There can only be one most intelligent man.

Mr. EARLE. And I am sorry to say he is not here.

The CHAIRMAN. And there can be a few of the more intelligent, and then there must be some of the less intelligent. Then, still, we come to this—that, as a matter of fact, speaking by and large, the refineries have been exceedingly prosperous at the 85-cent differential—exceedingly prosperous?

Mr. EARLE. Well, now, they have been prosperous and they have not been prosperous. With the 85-cent differential, for example, we have had long strikes that were very expensive. The I. W. W. tried to stop all sugar. You were very prosperous if nothing interrupted, but something interrupted all the time.

The CHAIRMAN. Well, taking the years as they come and go, as will be shown by Poor's Manual here, which I have before me, the refineries have been very prosperous. Now, that is true, is it not?

Mr. EARLE. If you mean always, no. If you mean lately, yes.

The CHAIRMAN. I say, taking them by and large. Of course, I am not going back to the fall of Adam, or anything of that kind. I am speaking about modern, recent years. Take the last 10 years, if you please. Even during the trust investigations and during the prosecutions that some of them suffered, and all that, they have been very prosperous, have they not?

Mr. EARLE. No. I am speaking now of ourselves.

The CHAIRMAN. I am speaking of the factories as a whole, not of yourselves.

Mr. EARLE. I can not answer that.

The CHAIRMAN. As far as yourselves are concerned, I think you are in a class by yourselves for the reasons you gave a while ago; but I am asking you now about the factories as a whole, and not about yourselves. What can you say about that?

Mr. EARLE. I should say that in recent years they had been prosperous. We have lost a great deal of money.

The CHAIRMAN. You would also say they have been very prosperous, would you not?

Mr. EARLE. Since the war; very prosperous.

The CHAIRMAN. Yes; and before the war?

Mr. EARLE. Well, now, you are really asking about what I do not know.

The CHAIRMAN. You do not know. That really is before your connection with the sugar business, is it not?

Mr. EARLE. We started and lost a million and a half. Then we started and made money very fast. That is my experience.

The CHAIRMAN. Yes; and you have recently gone into the sugar business?

Mr. EARLE. What year did we start? About four years and six months ago; and our losses were $2,000 a day for a while.

Now, Senator, there is one other thing that I think you gentlemen who do not make sugar ought to know. The jump in the cost of production of sugar comes about very largely by what we call manufacturer's loss. That has nothing to do with cost of labor or anything else. Taking round figures, 7 pounds out of every 100 we buy is dirt, and we pay for it. Now, if sugar sells, as it has sold, as low as 1.90, or take 2 cents—I am speaking of cost, Senator Vardaman—if sugar sells at 2 cents, we lose 14 cents a hundred, but if sugar sells at 8 cents we lose 56 cents a hundred; so that the advance is entirely illusory. Do you get my point?

The CHAIRMAN. Let me ask you this question: You took over this factory three years ago, did you?

Mr. HODDLESS. Four years and six months ago.

The CHAIRMAN. How much did you take over that factory for?

Mr. EARLE. Well, I do not know what it cost. It was built by Adolph Segal. There were $8,000,000 of securities when I took it.

The CHAIRMAN. Oh, yes; but you did not take it with the burden of those securities. You took it through a receivership, did you not?

Mr. EARLE. No; the receivership was the company that owned it. It made a $5,300,000 loss on the property.

The CHAIRMAN. Yes; and we will not go back into that.

Mr. EARLE. We went through the utmost chaos, and what it cost I do not know. Any other refiner in the world——

The CHAIRMAN. But I am asking you about your own company now.

Mr. EARLE. Yes.

The CHAIRMAN. You took it over for $3,000,000, I believe you said, approximately?

Mr. EARLE. No, no. I said that I thought what we received from the American company in settlement of our claim was worth approximately $3,000,000. We got, I think, $750,000 in cash. I have not got those figures before me.

The CHAIRMAN. What did you take over that factory for?

Mr. EARLE. We did not take it over in one sense, and yet in another we did. They had possession of it. I would have to tell you the whole story in order not to mislead you. They gave the voting trustee a loan of $1,200,000.

The CHAIRMAN. What was the fair market value of that property at that time?

Mr. EARLE. I have not the slightest idea.

The CHAIRMAN. No idea at all.

Mr. EARLE. Not the slightest.

The CHAIRMAN. Can you not come within a million or two of it?

Mr. EARLE. All I know is that there were $5,000,000 of bonds and $3,000,000 of stock against it. I have never seen an account of what was paid out, or whether it was wisely paid, or anything.

The CHAIRMAN. But this $5,000,000 of bonds and $3,000,000 of stocks, which aggregates $8,000,000, and which I suppose contained the usual amount of water——

Mr. EARLE. I think in all probability it did, but I do not know.

The CHAIRMAN (continuing). That went through a receivership, did it not?

Mr. EARLE. Yes; and I was receiver.

The CHAIRMAN. When the receivership closed, how did it get out of the receivership? On what basis did it get out?

Mr. EARLE. I got them all to scale the securities away down, because I was afraid I would have bitter contests with the——

The CHAIRMAN. What capital did you reduce it to?

Mr. EARLE. My judgment is that I put out $1,500,000 in bonds, and about $1,500,000 in stocks.

The CHAIRMAN. That brings us to $3,000,000, does it not?

Mr. EARLE. Yes; but it is not the real value of the property.

The CHAIRMAN. Very well. That is what you put out.

Mr. EARLE. That is what I did, for prudential reasons.

The CHAIRMAN. How much is that plant worth to-day?

Mr. EARLE. I do not know.

The CHAIRMAN. Oh, approximately?

Mr. EARLE. If you take it on the basis of the return of the American, I should say it was worth twelve or thirteen million dollars.

The CHAIRMAN. Have you added any new capital since you took it over?

Mr. EARLE. Oh, lots of it.

The CHAIRMAN. I mean, clean outside capital?

Mr. EARLE. Yes.

The CHAIRMAN. How much?

Mr. EARLE. I think we put in $1,500,000, and then we put in constantly most of our earnings.

The CHAIRMAN. Out of your earnings?

Mr. EARLE. No; $1,500,000 entirely apart from our earnings.

The CHAIRMAN. Then you put in $1,500,000 in new money?

Mr. EARLE. I am giving you round figures.

The CHAIRMAN. Certainly; they are round figures, and I am making allowance for that. You put in $1,500,000 from new capital, and you already had in $1,500,000 of stock and $1,500,000 of bonds. That is $4,500,000, and now——

Mr. EARLE. No; I think that is more—I think the bonds represented the new capital. I think you are stating it against your own point.

The CHAIRMAN. Oh, the bonds represented the new capital?

Mr. EARLE. They represented the new capital.

The CHAIRMAN. Oh, well, then, I misled myself.

Mr. EARLE. Yes; and I do not want you to.

The CHAIRMAN. So you have got a concern that is capitalized at $3,000,000 and that is worth $13,000,000?

Mr. EARLE. I should say that it is worth $13,000,000.

The CHAIRMAN. Yes. Where did it get the additions to its capital to bring it up to $13,000,000? Was it out of earnings?

Mr. EARLE. No; I think the value always was there.

The CHAIRMAN. The value was always $13,000,000, and yet——

Mr. EARLE. Well, it has had this additional capital, and then it has had the earnings that we have put in.

The CHAIRMAN. Have you enlarged your plant?

Mr. EARLE. Oh, we had a capacity of 500 barrels a day when I took it, and we now have a capacity of approximately 5,000.

The CHAIRMAN. Then you do not mean to say, when you have multiplied this plant by 10, that this $13,000,000 of value was always there. If it is worth $13,000,000 now, when it makes 5,000 barrels a day, it surely was not worth $13,000,000 when it made 500 barrels a day.

Mr. EARLE. I think when I took it, it was a liability, but the money had been spent, and the additional money—well, we lost practically all the $1,500,000 we put in while we were making this plant what it ought to be.

The CHAIRMAN. Exactly.

Mr. EARLE. And now we are making money; at least we were until this——

The CHAIRMAN. You got a $3,000,000 plant, and you have enlarged that $3,000,000 plant without putting in a single new dollar in addition to the $3,000,000, except what you put in out of your earnings, and you have got a $13,000,000 property. I think that is pretty plain, and that is pretty good management on your part or somebody else's part, and I guess you are the man.

Mr. EARLE. I do not claim that. I have had very able assistance.

The CHAIRMAN. Now, let us go a step farther. What were your net earnings during the year 1917?

Mr. EARLE. I have not got that information yet.

The CHAIRMAN. What were your net earnings during the year 1916?

Mr. EARLE. I can get that for you without any trouble. I have not those figures.

The CHAIRMAN. Please give me your net earnings for each year since you reorganized the plant and took it out of the hands of the receiver.

Senator JONES. I should like to state right there that that is a thing that I have been trying to get, among others, with regard to all these refineries, but I understood that objection had been made to going into it.

The CHAIRMAN. No, Senator; the question was held in abeyance, and I said, the last talk we had, that I was inclined to think you were right, and that we ought to go into those figures. I still think so. By the way, Senator Jones, in line with that—Mr. Hunt calls my attention to it—because we were interested in that on the beet-sugar business, I gave a direction to get the report of the Federal Trade Commission on the beet-sugar factories, and here it is. You remember we were talking about whether there was not a short cut on these things?

Senator JONES. Yes.

Mr. EARLE. Senator, I want to explain what I meant. When I said I valued it at a certain figure, comparing it with another plant, I took the American's capital and output, and then I took our capitalization and output, and on the basis of what I think we ought to make on our output and their capital I gave that figure.

The CHAIRMAN. Do you think it is a fair figure that you gave me?

Mr. EARLE. I think it is a fair comparison. I can build that plant for very much less money than that.

The CHAIRMAN. Oh, yes; but you could not build that plant and establish that business with its good will and its ramifications.

Senator VARDAMAN. Its going value.

The CHAIRMAN. Its going value.

Mr. EARLE. No; it takes a long time to build up a business.

The CHAIRMAN. Yes.

Senator VARDAMAN. You agreed to give us the earnings of your company.

Mr. EARLE. I understand. If others do, I am quite willing.

The CHAIRMAN. We are not going to single you out.

Mr. EARLE. Then, I am quite content.

The CHAIRMAN. Unless the other gentlemen——

Senator VARDAMAN. I am in favor of having it.

Mr. EARLE. I do not see why you should not have it, but I do see why you should not tell our rivals what we are doing and not tell us what they are doing.

The CHAIRMAN. That is fair; and as far as these secrets are concerned about how much money you are making, we have had a great deal of camouflage (I think I may use that much-abused term) about that in our country lately. I do not think there are any secrets, practically speaking. The most of them are reported here in Poor's Manual.

Mr. EARLE. Yes; but in taking our figures I want you to understand that I cut the capitalization so drastically in the reorganization because I feared competition, and I did not want to have too many obligations on me.

The CHAIRMAN. I should like to have you, then, furnish us with a complete statement showing the gross value of your products, your gross expenses, stated in the form of an account, so that it can be fairly divided and susceptible of analysis, and your net profits; and I want it so stated that I can tell whether that is shrewd buying of sugars or whether it is the normal manufacturer's profit.

Mr. EARLE. Well, now, that is really what you ought to have. A great part of our profits are necessarily illusory. I can make that plain to you. If we had 100,000 barrels of sugar on hand when this rise started, and that sugar went up 2 cents—and it has gone up very much more—that would represent a profit of $700,000 without 1 cent of manufacturing profit at all.

The CHAIRMAN. Exactly.

Mr. EARLE. And therefore, when it is going to go down, your profits are going to disappear again.

The CHAIRMAN. Certainly, if you have a stock on hand.

Mr. EARLE. So that if you buy sugar well you will make a large amount of profit; and that is the reason I think your legislation taxing surplus profits was one of the finest things you did, except the

when it goes down I do not know where we are going to get the money back.

The CHAIRMAN. Exactly. You do not calculate, when sugar goes down, to have much on hand, do you?

Mr. EARLE. We can not keep our trade unless we have a great deal.

The CHAIRMAN. You do not calculate to have a very great deal?

Mr. EARLE. I calculate to have as little as I can.

The CHAIRMAN. And you calculate to have that pretty well contracted out to your wholesale trade?

Mr. EARLE. That is one of the difficulties of the trade; they do not take the sugar when it goes down, even though they bought it.

The CHAIRMAN. I am going to trust you not to be overstocked.

Mr. EARLE. Senator, I knew you would have a good opinion of me before you got through.

The CHAIRMAN. I have had all the time.

Mr. EARLE. Well, then, we are very good friends.

The CHAIRMAN. Now, let us go a step farther. What is the interest you pay on your bonds?

Mr. EARLE. I did not want any interest, because I was afraid we might be wiped out, so we made them income bonds. They did not get any interest unless we earned it. For many years they got nothing, and then they got 6 per cent, and they have had as high as 8 per cent.

The CHAIRMAN. And what dividends have you paid on your stocks?

Mr. EARLE. We did not pay any dividends all of these years until last year, and then we began paying 2 per cent quarterly.

The CHAIRMAN. But in the meantime you have put your earnings into the betterments of the plant and extensions of your business?

Mr. EARLE. I thought that was sound policy.

The CHAIRMAN. Yes, sir; I think it is.

Mr. EARLE. And it has resulted well.

The CHAIRMAN. So that now, when you begin to pay your dividends, and quit making investments of your earnings, you will, of course, begin paying larger dividends, naturally, than you would if you had not, during all this time, laid that up?

Mr. EARLE. If the war ends suddenly, and all that Java sugar comes on the market, I think we may suspend dividends for quite a while; but that is merely guessing. That is what I think the sugar refiners are afraid of.

The CHAIRMAN. Yes; but I hardly think you are putting that in as a solemn statement.

Mr. EARLE. I hope to make good dividends for the people who have trusted me with the situation.

The CHAIRMAN. I might say to you that on the other hand, if the war were to terminate to-morrow, and the shipping of the world were to be released, the probabilities are that the Teutonic powers would want all the little sugar there is in Java mighty quick.

Mr. EARLE. The situation is exceedingly complicated.

The CHAIRMAN. Yes; of course it is, and we need not guess much.

Mr. EARLE. No.

The CHAIRMAN. Now I want to ask you another question or two. Do you think, as a sugar refiner, a man who has been used to supply-

ing the trade, that you would be justified in charging exorbitant prices simply because there was a war on, and a sugar shortage?

Mr. EARLE. I do not think it is ever good policy, at any time, to charge exorbitant prices.

The CHAIRMAN. Would you have done that?

Mr. EARLE. I do not understand just what you mean by "exorbitant prices."

The CHAIRMAN. I am just assuming, now, that there had been no interference here; that you had had to go to Cuba and buy your sugars, and you had had to go to Louisiana and buy your sugars, and you had gone to other places in the world where there were sugars and bought them, buying them of course at the best prices you could. Now, would you have added to that, even if there had been no agreement, any exorbitant profit?

Mr. EARLE. The man who pays and the man who gets may differ as to exorbitant profits.

The CHAIRMAN. I am going to put it to you: Would you have added a profit, say, of 5 cents a pound on sugar?

Mr. EARLE. Of course I would not. It would have been very bad business.

The CHAIRMAN. Why, of course you would not; and you would not have added a clean profit of 3 cents a pound on sugar, either; would you?

Mr. EARLE. I never have had the opportunity, but I do not think I would.

The CHAIRMAN. You would not do it, because if you did do it your whole sugar trade would think that you had done a wicked and outrageous thing, taking advantage of a necessity.

Mr. EARLE. But this I would do——

The CHAIRMAN. Now, do you not think that what you say of yourself is true of the other men engaged in the refining business?

Mr. EARLE. Yes; but you are overlooking the raws.

The CHAIRMAN. Oh, yes; I said in addition to the price you paid for the raws. Now then, when it came to going down and buying these raws——

Mr. EARLE. Senator, I want to be frank with you. If I had bought raws, as I might have, at 2 cents a pound, and the market for raws had gone to 5 cents, and I could not replace them at less than 5, I might charge that 3 cents.

The CHAIRMAN. Oh, I do not question that, sir.

Mr. EARLE. Although I would make 3 cents profit, but I could not replace them unless I did.

The CHAIRMAN. But that is not the case I am talking about. I am talking about your going over here to Cuba and buying these Cuban sugars, let us say, at 4 cents.

Mr. EARLE. And on that market charging 3 cents? No; I would not.

The CHAIRMAN. Why, of course you would not do that, and no other decent refiner would have done that; would he?

Mr. EARLE. I think not. I do not think any other reasonable refiner would.

The CHAIRMAN. No; and they are all pretty decent fellows, I guess. They like to make money, of course.

Mr. EARLE. They vary, like the rest of the human race, in decency.

The CHAIRMAN. I have just this one further question, and then I think I have concluded:

Starting with the proposition that our allies and we ourselves control all the bottoms to Cuba and substantially all the bottoms to Porto Rico, and at the present time substantially all the bottoms that carry sugar to America, and taking into consideration the fact, which you have stated, that whoever controlled these bottoms could control prices—indeed, you said these producers of raw sugars would be at our mercy——

Mr. EARLE. I think they are.

The CHAIRMAN (continuing). And we might have abused it if we had wanted to——

Mr. EARLE. Which I hope we will not.

The CHAIRMAN (continuing). All that it was necessary to do in order to keep the prices at a reasonable level in this country was to have effected an agreement between the representatives of our allies and ourselves as to the price beyond which they would not go in raws, and a division of the supply, and then there could have been no outrageous price imposed on the American people, unless the refiners took advantage of the scarcity and imposed that price; and you say that in your judgment the refiners would not have done so?

Mr. EARLE. Yes, sir; I say that; but I say they would have charged more than they are charging now, because they were charging more. I think money has been saved to the consumer.

The CHAIRMAN. You say they would have charged more. How long would they have continued to charge more than they are charging now?

Mr. EARLE. Senator, if you will tell me all the conditions of the time that I am to project myself to, I will tell you.

The CHAIRMAN. I am speaking about the fact that lies immediately before us of the Cuban crop coming in, which always produces a lowering of prices at this season of the year.

Mr. EARLE. I think the great problem with every refiner is, when the drop comes, where he is going to stand; and I think they want a pretty good margin——

The CHAIRMAN. Exactly.

Mr. EARLE. Because they are going to be stuck on some part of this sugar. You are right in saying that they are going to try to be stuck as little as possible.

The CHAIRMAN. In other words, we did get our sugars for a little while at less than they would been, and we are now probably within the next two or three months going to pay more than we would have paid.

Mr. EARLE. I do not think so.

The CHAIRMAN. And then at some other period we will probably reach a level. In other words, they have undertaken to stabilize these prices and average them through the year, have they not?

Mr. EARLE. That is exactly what they have done. They claim to have done that.

The CHAIRMAN. So when you say you have reduced the price now, it does not mean anything, because you have also elevated the price a little later on?

Mr. EARLE. No; but that is where you have totally misconceived the whole thing.

The CHAIRMAN. I do not think I have misconcieved the whole thing.

Mr. EARLE. That is what Mr. Spreckels wanted. He wanted a guaranteed price, but they turned him down. They said, "No, sir. If this thing goes down, you have got to come down with it."

The CHAIRMAN. Oh, yes; but we know how much chance there is for it to go down when all the refiners pay exactly the same price for their sugar, and when they are permitted to make the same price at retail, and when they are compelled to make the same price, practically, by the agreement that fixes the price on beet sugars.

Mr. EARLE. Senator, I have been dealing with Mr. Hoover and Mr. Rolph, and I will stake my reputation as a prophet that it will come down whenever they can put it down.

The CHAIRMAN. How can it come down when they have entered into a solemn agreement with the beet-sugar producers by which they are to charge a specified price? How can that sugar be marketed in the country with the other sugar coming below that level?

Mr. EARLE. May I explain that to you?

The CHAIRMAN. You can if there is any explanation needed.

Mr. EARLE. I have nothing to do with the beet-sugar matter, and I do not know anything about it; but I know that Mr. Rolph served notice on us that he would not allow us to have a $1.30 split a moment longer than it appeared fair on the returns, and we entered into the agreement with that understanding; and I will stake my life on it with anybody against any reasonable sum that if an 85-cent split would make money for us, he would not let us for one minute have a $1.30 split.

The CHAIRMAN. You think he would reduce it?

Mr. EARLE. I know he would. He has told us he would,

The CHAIRMAN. How can the price of cane sugar, which sells in the market constantly in competition with beet sugar, be very much reduced and a market still left for the beet sugar when there has been a fixed price arranged for the beet sugar?

Mr. EARLE. I think that is very easy of explanation.

The CHAIRMAN. I wish you would explain it.

Senator JONES. I should like to ask the chairman if it appears in the record that a price has been fixed for beet sugar. My understanding is that the price of beet sugar which we have been discussing was a maximum price only.

The CHAIRMAN. I do not think so. I think it is one price; but we perhaps need not discuss it. I am merely arguing the question here.

Senator VARDAMAN. Before you get away from this question of the differential which you are permitted to charge, if my memory is correct, I think Mr. Hoover stated that the President directed that the refiners be allowed the profits for refining sugar that they enjoyed before this matter was taken in hand by the Government.

Mr. EARLE. I know nothing of that.

Senator VARDAMAN. Well, I think he stated that.

Mr. EARLE. I am not contradicting you. I simply do not know.

Senator VARDAMAN. That was in answer to the suggestion that you made that the moment the administration finds that you are making too much money the differential will be reduced. Mr. Hoover stated

that they were directed to fix this price at a figure guaranteeing you the profits that you enjoyed before this matter was taken over by the Government.

Mr. EARLE. They have absolutely refused to do that. They were asked to do it. I do not know what the President said to Mr. Hoover.

Senator VARDAMAN. You remember that Mr. Hoover gave the items of expense making up the $1.30.

Mr. EARLE. I did not hear Mr. Hoover.

Senator VARDAMAN. He stated that the expense of refining had gone up the difference between 85 cents and $1.30.

Mr. EARLE. There is no question about that. It has gone up tremendously.

Senator VARDAMAN. It seems that it is the purpose to guarantee to the refiners their normal profits, or the profits that they enjoyed in those fat years preceding the taking in hand by the Government.

Mr. EARLE. All I can say, Senator, is that that was strongly contended for by Mr. Spreckels, and was as emphatically declined. Now, if the President had any conversations with Mr. Hoover, I know nothing about that.

Senator VARDAMAN. I do not know what the President said to Mr. Hoover. I only know what Mr. Hoover testified to.

The CHAIRMAN. Let me say that this committee is not being guided by Mr. Spreckels.

Mr. EARLE. Of course not.

The CHAIRMAN. It does not care any more about what Mr. Spreckels wants than it cares what you want, or what Mr. Rolph wants, or what Mr. Babst wants. You can not justify a wrong thing here by saying that Mr. Spreckels wanted it any more than Mr. Spreckels could justify a wrong thing by saying that you wanted it.

Mr. EARLE. No.

The CHAIRMAN. What we want is the facts, not what Mr. Spreckels asked.

Mr. EARLE. Now, wait a minute, Senator.

The CHAIRMAN. I am saying that pleasantly.

Mr. EARLE. I was not referring to Mr. Spreckels in that sense. I said that he asked that, and it was declined, and I said that in answer to your question as to whether it had not been done. I was giving you facts.

Senator VARDAMAN. Mr. Earle, responding to a question by Senator Reed as to what the refiners would have done if they had not been limited in their charges by the Food Administrator. you are really of the opinion that the refiners would not have abused the opportunities for higher prices if this restriction had not been on them?

Mr. EARLE. I am of the opinion that they would not.

Senator VARDAMAN. In other words, to paraphrase the language of Robert Burns, "the fear o' Hoover" was not "the hangman's whip" to hold the sugar refiner in order to prevent him from abusing the power he might have in levying tribute upon the consumer?

Mr. EARLE. I think you would have had, maybe, from the refiners—I am not stating that the public would have gotten that—you did have a 9¾-cents market. I am sure it would not have been lower than that. Now, you have a 7.10-cents market. That is exactly what I think he has done, and maybe plus a little. Maybe it would have

gone a little above 9¾ cents. But then, Senator, you must not overlook the fact that these gentlemen in foreign countries who do not care anything about it would have run away from it, and you would have had to pay whatever additional raws cost us.

Senator VARDAMAN. I just wanted to know your opinion.

Mr. EARLE. I know; I understand that.

The CHAIRMAN. Have any of the members of the committee any further questions to ask? (A pause.) I think that is all, Mr. Earle. We are very much obliged to you.

Mr. EARLE. I appreciate your courtesy, gentlemen.

The CHAIRMAN. We may want all of you back; I do not know about that. We are going into the coal question now, because that is acute, and something has to be done about it.

We are going to resume these hearings in the Manufactures Committee room, over on the gallery floor of the Senate, because we want to be near the Senate Chamber. There is room enough there now. Perhaps the hearing will be held in the Indian Affairs Committee room, but that is next door.

(Thereupon, at 12.20 o'clock p. m., the subcommittee took a recess until 2.30 o'clock p. m.)

SHORTAGE OF SUGAR.

FRIDAY, DECEMBER 28, 1917.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., Senator James K. Vardaman presiding.

Present: Senators Vardaman, Jones, Lodge, and Kenyon. Senator Reed (chairman), assumed the chair later.

Senator VARDAMAN. The committee will come to order. I have here a letter received by the committee from Judge Lindley, chief counsel of the United States Food Administration, which reads as follows:

DECEMBER 28, 1917.

HON JAMES REED,
Chairman Senate Committee on Manufactures.

GENTLEMEN: Mr. Hoover was called to New York City late yesterday afternoon to attend an extremely important conference on the tonnage situation. It has been stated in the public press that he was expected to appear before your committee this morning. On being advised yesterday afternoon of the necessity for Mr. Hoover's departure I visited the Capitol for the purpose of advising the committee, and then learned that it had adjourned to attend the funeral of Senator Newlands. Mr. Hoover will return to Washington early during the coming week. If, on his return, the committee desires to hear further from him, he will be pleased to attend, if you will kindly indicate the time.

Sincerely, yours,

CURTIS H. LINDLEY,
Chief Counsel, United States Food Administration.

When the subcommittee adjourned on Saturday last, Mr. Hoover was notified that he would be expected to testify to-day, and I do not think the information he received was through the newspapers exclusively. He was notified by you, was he not, Mr. Hunt, that he would be expected to testify to-day?

The CLERK OF THE COMMITTEE. No; he was notified by the chairman of the committee when the committee adjourned on Saturday that he would be expected to appear to-day.

Senator VARDAMAN. Has any direct communication been had?

The CLERK OF THE COMMITTEE. No subpœna has been issued. There have been several letters passed back and forth by the committee.

Senator KENYON. Senator Vardaman, I think you ought to say that Mr. Hoover's personal representative, Mr. Ellis, was here when the committee adjourned yesterday evening.

Senator VARDAMAN. Yes; that was my understanding.

Senator KENYON. And was notified that Mr. Hoover was expected to be here.

Senator VARDAMAN. Of course, I could not say that Mr. Ellis conveyed this word to Mr. Hoover.

Senator KENYON. Mr. Ellis was here as Mr. Hoover's representative.

Senator VARDAMAN. I know I heard Senator Reed say—he spoke to some one; I do not know the name of the gentleman, but it was understood that it was entirely agreeable with Mr. Hoover that the matter go over until Friday—to-day. We are very sorry that he is not here to illuminate this question with his testimony.

Senator KENYON. Will you turn to the coal inquiry now, Mr. Chairman?

Senator VARDAMAN. Yes; we will proceed with the testimony of Mr. Colver.

(At this point Mr. T. A. Ellis entered the committee room.)

Senator VARDAMAN. Mr. Ellis, will you make a statement, please?

Mr. ELLIS. Yes, sir.

TESTIMONY OF T. A. ELLIS.

(The witness was sworn by the chairman.)

Senator VARDAMAN. What is your avocation or business here?

Mr. ELLIS. I am connected with the United States Food Administration.

Senator VARDAMAN. Were you present the day the committee announced that Mr. Hoover would be heard on Friday, to-day?

Mr. ELLIS. Yes, sir.

Senator VARDAMAN. Did Senator Reed make that statement to you?

Mr. ELLIS. He said that Mr. Hoover would be heard on Friday morning; yes, sir.

Senator VARDAMAN. He asked you, did he not, whether it was entirely agreeable to Mr. Hoover that he be heard to-day?

Mr. ELLIS. Well, I did not understand it that way; but he asked me if I would notify Mr. Hoover, which I did.

Senator VARDAMAN. You did notify him?

Mr. ELLIS. Yes.

Senator VARDAMAN. Then, Mr. Hoover had information that the committee wanted to confer with him, other than that received through the newspapers?

Mr. ELLIS. I assume so; yes, sir.

Senator VARDAMAN. Well, you told him?

Mr. ELLIS. Yes, sir.

Senator VARDAMAN. That the committee had adjourned its hearings on the sugar question until to-day?

Mr. ELLIS. I called up his secretary, to be exact, at that time, and told him the action of the committee.

Senator VARDAMAN. You had authority to speak for Mr. Hoover that day, did you not?

Mr. ELLIS. Well, no; I do not assume any authority, ever, to speak for Mr. Hoover.

Senator VARDAMAN. Did not Senator Reed ask you if you would?

Mr. ELLIS. He asked me if I represented him here, and I said I did.

Senator VARDAMAN. You did?

Mr. ELLIS. Yes, sir.

Senator VARDAMAN. And you told Senator Reed that it was entirely agreeable to Mr. Hoover to come here and be heard to-day?

Mr. ELLIS. No. I would not assume any such authority. I told him that I would tell Mr. Hoover what he said.

Senator VARDAMAN. And you did tell him?

Mr. ELLIS. I told Mr. Hoover's private secretary over the phone within 10 minutes.

Senator VARDAMAN. Are there any other questions you want to ask?

Senator LODGE. No.

Senator VARDAMAN. That is all.

(The subcommittee then proceeded to hear a witness upon the subject of coal until 1.45 o'clock p. m., when a recess was taken until 3 o'clock p. m.)

AFTER RECESS.

At the expiration of the recess, the subcommittee resumed its session, Senator James A. Reed presiding.

Present, Senator Reed (chairman), Vardaman, Jones of New Mexico, Lodge, and Kenyon.

The CHAIRMAN. There is a statement that I think ought to be made, because a statement has been sent broadcast over the country that Mr. Hoover has been denied a hearing before this committee, and that he had to get the President's assistance in order to get his statement before the country. Ordinarily, I do not believe much in following up everything that appears in the press, but I am going to ask the press to print the substance of what I am about to say.

This hearing was begun in accordance with a resolution that was introduced by Senator Lodge on his own motion and passed by the Senate, commanding the committee to investigate the question of the shortage of fuel and sugar. The committee was assembled promptly, and a subcommittee appointed. The subcommittee did not have in its possession any real information touching the subject matters of inquiry. It was suggested that a letter be written to Mr. Hoover asking him to furnish the committee with the names of witnesses who could throw light upon the sugar question. That letter was written and promptly sent. In the meantime, as it was known that a large number of the sugar men were connected with Mr. Hoover's administration, it was expected that those names would be sent over by Mr. Hoover; and they were sent, as the record shows.

Mr. Spreckels's name was suggested as a large sugar refiner, and he and several other men were summoned, practically at random, to come to Washington—any man that we were informed would know something about the case. Mr. Spreckels was put on the stand because he happened to be the first witness appearing. I know that for myself I never met Mr. Spreckels in my life until he came here to testify. I do not know whether the other members of the committee had or not. Mr. Hoover's attorney appeared and asked to cross-examine, and the committee, following its usual rule, declined to permit formal cross-examination, but stated that Judge Lindley was at liberty to propound any questions he desired, that were of a proper character, through any member of the committee, and he availed himself of that privilege.

We received promptly from Mr. Hoover the names of the persons he thought would be of assistance. We proceeded with Mr. Spreckels, the first witness. He might be called, I imagine from the character of his testimony—although I did not know what it would be—an adverse witness, or a witness who criticized the Food Administration. There were a number of other witnesses here who, we understood, stood prepared to give similar testimony; but because Mr. Babst, one of the men sent to the committee by Mr. Hoover, asked for an immediate hearing, the committee broke in on the procedure it probably would have followed and had Mr. Babst testify at length, and permitted Mr. Babst's attorney to suggest questions, and permitted Mr. Babst to make independent statements. He certainly was a witness friendly to the Food Administration and to Mr. Hoover.

The committee then heard Mr. Rolph, the man selected by Mr. Hoover to be the head of the sugar committee, and heard him at length. So that there were two witnesses heard on behalf of the Food Administration to one who might be said to be a witness of criticism.

That brought us up to last Saturday morning, when we had stated we would hear Mr. Hoover. It was known that the committee would adjourn that evening at about 5 o'clock. We intended to go ahead with Mr. Hoover, but there appeared on the scene in Washington a large number of sugar-beet growers and their representatives. They came from California, and Utah, and Montana, and Colorado, and Nebraska, and, I think, one or two other States. It was represented to us that they were here at great inconvenience; that they had not come on purpose to testify, they were here on other business, but that they wanted to get home. We thought it would be an act of common decency to hear them if possible, if it was agreeable to Mr. Hoover to postpone his testimony. After consultation, at the suggestion of the committee I spoke to Mr. Hoover's representative, Mr. Ellis, and asked him if it would be entirely agreeable to Mr. Hoover to give his testimony to-day upon the reconvening of the committee, and said to him that if we started with Mr. Hoover at the hour we had then reached in that day he probably would not be able to complete his testimony, it would break his testimony in two parts; and also that we would be glad to furnish Mr. Hoover with a copy of all the testimony that had been taken, so that when the committee reconvened to-day he could have it all before him and be prepared to reply to anything he thought he wanted to reply to, and he has been furnished the testimony. This morning Mr. Hoover's attorney stated that Mr. Hoover had been called out of town on important business. Of course, the committee recognizes the fact that it is probably quite necessary for Mr. Hoover to be away, and is willing to accommodate itself as far as possible to any important engagements he may have. but we have sent him word requesting him to be here on Wednesday.

So far from the committee having denied Mr. Hoover's side, or the food control, a hearing, as I have stated, we put on two leading men that Mr. Hoover had himself selected to conduct the sugar control: and when we continued the hearing over until Friday we did it with the full approbation and consent of Mr. Hoover's representative. I understand that he stated this morning on the witness stand that he did not remember having said it would be entirely agreeable, or words to that effect; but I say that he did say it, and he said it in a

perfectly pleasant and agreeable manner, and there is not any room for doubt about it. There is room for forgetfulness if a man's recollection is exceedingly poor, but not otherwise.

That is all there is to it. I thought that ought to be said.

(The committee thereupon proceeded to hear further the witness Snead on the subject of coal until Mr. T. A. Ellis entered the committee room. He was again called to the witness stand and the following occurred:)

FURTHER TESTIMONY OF T. A. ELLIS.

(The witness had been heretofore duly sworn.)

The CHAIRMAN. Mr. Ellis, you recall having had a conversation with me the last day the committee was in session about Mr. Hoover not testifying until to-day?

Mr. ELLIS. I do; yes, sir.

The CHAIRMAN. Did you remain in the room? We had the conversation at the head of the table. Did you remain in the room for some time?

Mr. ELLIS. Well, I was there most of that day, Senator Reed.

The CHAIRMAN. Then, Mr. Ellis, you heard me, immediately after that conversation, make a statement about why Mr. Hoover would not be called, did you not?

Mr. ELLIS. Yes, sir.

The CHAIRMAN. I understand that this morning you could not remember whether you had said to me that it would be agreeable to have Mr. Hoover's examination put over until to-day. In order to refresh your recollection, I want to read you from the record this statement, which I made to the committee immediately after talking with you and while you were there, as you now admit:

The CHAIRMAN. This statement ought to be made: This morning the committee was necessarily a few minutes late in assembling, and we were confronted with the fact that there were a large number of witnesses here from California who could stay only at great personal inconvenience; and as the committee intended to adjourn the hearings shortly after 5 o'clock this evening until next Friday, we felt that it would be a great hardship to ask the California and Colorado and Nebraska and Utah and Wyoming people, all of whom were here on the same mission, to remain, and therefore it was suggested to postpone hearing Mr. Hoover until next Friday morning.

I inquired if there was a representative of Mr. Hoover in the room, and a gentleman from Mr. Hoover's office said he represented him, and I stated the facts to him, and further that the committee would give Mr. Hoover the right of way next Friday morning, and would furnish him with a copy of the testimony if it could be printed by that time, and asked him if the adjournment would be agreeable, and he replied in substance that it would be entirely so; and that is the reason that the testimony of Mr. Hoover has not been offered at this time.

Does that serve to refresh your recollection?

Mr. ELLIS. Well, I do not know, Senator Reed, that—I suppose that I heard the statement. I went immediately into the room adjoining the committee and called up Mr. Hoover's office, and got his private secretary on the phone, and told him the action of the committee.

The CHAIRMAN. You heard me make that statement; you stood right there in the room, did you not?

Mr. ELLIS. Possibly. I do not know that I did.

(The witness was asked to repeat the last sentence of his answer.)

Mr. ELLIS. I do not know whether I heard the statement, but I was around the room all day.

(The subcommittee thereupon proceeded with the hearing of the witness Snead upon the subject of coal until 5.35 o'clock p. m., when an adjournment was taken until to-morrow, Saturday, December 29, 1917, at 10.30 o'clock a. m.)

(By order of the committee the following communications and documents received by the committee are printed as part of the hearing herewith:)

BOSTON, *January 3, 1918.*

HON. HENRY CABOT LODGE,
Washington, D. C.:

MY DEAR SIR: In 1915–16 we, as brokers for the beet sugar refiners of the West, sold several hundred cars of beet sugar in the New England market, introducing the same at much labor and expense, thereby compelling the cane sugar refiners to materially reduce their price to the consumer.

In October, 1917, we received instructions to notify the public through the press that the sugar distributing committee of Chicago would come to the relief of New England in the sugar famine, and were instructed to make sales of beet sugars at 7¼ cents per pound, the cane sugar refiners' price being 8 cents and over, and increasing rapidly.

Thus authorized, we sold several hundred cars of beet sugar, which orders were held in Chicago for a number of weeks without shipment, though during this time we and the trade were daily expecting receipt of the goods.

Finally we were notified that these orders, not having been accepted, were canceled, and instructed to advise our trade accordingly that the distribution of this sugar was turned over to the American Refiners' committee, 111 Wall Street, New York, for distribution; this, without any consideration given to our interest or that of the trade, after causing us to spend large sums of money telegraphing our orders, and expenses in soliciting this business from the wholesale grocery trade.

We have signed the attached petition, being the only beet sugar brokers in Boston; but we are told the wholesale grocers' association do not deem it expedient to sign a similar petition for fear of affecting their interests with the "powers that be," who now have the monopoly of sugar distribution in New England, namely the American Sugar Refinery Co., whose influence is so pronounced that all the interests and rights of merchants like ourselves and our customers are simply ignored, and the obligations of the food committee in our particular case (and undoubtedly of many others beside) appear not to have been considered with any sense of equity or justice.

We know that you are actively investigating this situation, and think likely the injustice done to New England merchants may be of interest to you.

We shall be glad to give you further particulars if you so desire.

Yours, very truly,

GEO. WM. BENTLEY CO.,
GEO. W. BENTLEY, *President.*

MANAGER'S INSTRUCTIONS SPECIAL D.

CHICAGO, *October 13, 1917.*

To jobbers, manufacturers, and brokers:

We inclose copies of agreement between the United States Food Administration and beet-sugar producers and the rules and regulations adopted by this committee.

(The term "principals" used in this letter means beet-sugar producers or their general sales agents.)

We will use only regular channels heretofore employed in distributing beet sugar; all orders must be entered with principals; all subsequent correspondence in connection therewith, including information as to movement of cars or any other feature, must be handled between purchasers, brokers, and principals in the same manner as heretofore; all orders will be entered subject to the rules and regulations referred to herein and later additions or changes.

Principals will report all orders to us, and we will allot each order approved by us to the producer best able to make delivery under the purpose of this committee; we will notify accordingly the producer to whom the order is allotted and the principal who reports the order to us; said principal will in turn notify buyer or broker from what source delivery may be expected.

This committee will be compelled to refuse to handle any matters with anyone other than producers or general sales agents.

We are instructed by the United States Food Administration to notify all as follows:

"The distributing trade will be licensed within a few days and a statement of all sugar transactions carried out by them during 30 days prior to application for license will be demanded when making application for license, and any overcharges will have an important bearing on the issuance of such licenses to such persons."

To assist this committee in its plan for proper and economical distribution of beet sugar, enabling the United States to supply needs of its allies, we ask your cooperation in a loyal and unselfish spirit toward overcoming difficulties which may be met.

FOOD ADMINISTRATION SUGAR DISTRIBUTING COMMITTEE.
By HORACE C. EARLE, *Manager*.

MANAGER'S INSTRUCTIONS No. 6.

CHICAGO, *October 13, 1917*.

Owing to extremely late beet crop operations in all beet-sugar producing sections, transportation conditions difficult beyond parallel in this country, and exhaustion of cane stocks through the efforts of America to furnish her allies, especially France, with most urgently needed supplies, an acute scarcity exists throughout this country.

Every conceivable effort will be made to relieve this condition, but supplies will inevitably continue inadequate for several weeks, and every section should willingly accept its portion of this "war" burden.

There should be no "scramble" for competitive advantage, and we earnestly hope and feel sure it will be unnecessary for this committee to take cognizance of any such movement.

Producers are instructed to serve all sections alike, and purchasers and brokers are instructed to enter orders for only ten days' requirements, except when necessity of purchasing in car lots compels violation of this rule.

FOOD ADMINISTRATION SUGAR DISTRIBUTING COMMITTEE.
By HORACE C. EARLE, *Manager*.

CHICAGO, *October 13, 1917*.

To brokers:

You are instructed to refrain from soliciting or accepting orders from the trade to be submitted to beet sugar principals until specifically authorized to do so by your principals.

FOOD ADMINISTRATION SUGAR DISTRIBUTING COMMITTEE.
By HORACE C. EARLE, *Manager*.

CHICAGO, *October 15, 1917*.

To distant eastern and southern representatives.

GENTLEMEN: As a matter of advance information to you, we inclose copies of matter mailed October 13 by the Food Administration sugar distributing committee to the trade and brokers in the near-by eastern territory. We sent you a copy of the committee's rules and regulations with our Circular No. 189, dated October 8.

We repeat, "We do not know yet to what extent, if any, beet sugar may be offered this season in distant territories, i. e., east of Buffalo and Pittsburgh, south of the Ohio River and Memphis east, and will be unable to intelligently answer any inquiries on this subject pending the receipt in due course of ad-

vices and instructions from the Food Administration sugar distributing committee. We will then promptly post all representatives interested."

Meanwhile these circulars can be read and absorbed by you as personal postings from us pending the later official action of the Food Administration as regards offerings for your territory.

Very truly, yours,

MEINRATH BROKERAGE CO.

CHICAGO, *October 20, 1917.*

GEO. M. BENTLEY CO.,
Boston, Mass.:

Food Administration sugar-distributing committee, Chicago, authorizes public announcement to press that "beet-sugar industry will come to rescue of New England and North Atlantic States east of Buffalo, Pittsburgh, and north of and including Baltimore during the existing exhaustion of cane supplies. Shipments will commence immediately from all operating beet-sugar factories. Owing extremely difficult transportation conditions, necessary limit offerings only to manufacturers or jobbing trade in such communities as entirely without sugar. Furthermore, manufacturers of candy, gum, sirup, cordials, and all other food luxuries must be severely restricted, allowing only sufficient supplies to operate at greatly reduced capacity. All manufacturers of food supplies must have preference according to necessity of their production for public and allied needs, condensed-milk manufacturers coming first." Strictly according foregoing, offer subject confirmation beet granulated, bags only, cars loaded to capacity, specifying carloads instead quantities seven twenty-five basis sight draft against bill lading payable on arrival cars. Shipment in turn soon possible. Other terms conditions per committee's rules regulation recently mailed you.

MEINRATH BROKERAGE CO.

CHICAGO, *October 22, 1917.*

To representatives:

One of the leading beet producers writes us as follows:

"We are receiving a great many letters and telegrams from customers inquiring if their shipments have gone forward and if same have not been shipped when they can expect shipment. I think it would be advisable for you to notify all customers that shipments on orders filed with us are seriously delayed account of our inability to secure equipment from the railroads. We are handling all shipments in rotation as they were received by us, giving each territory a fair proportion, taking into consideration, of course, the equipment furnished us by the railroad companies. The manner in which shipments will go out in the future will depend entirely on the ability of the railroads to furnish cars, and at this time it is impossible for us to advise either you or our customers how soon we can make shipment of orders now on hand. It is a useless expense for both the customers and ourselves to keep sending telegrams, and the fact that a customer wires about shipments does not hasten delivery in any way, as we are adhering strictly to shipment in turn. We are doing everything possible to secure cars from the railroad companies, and have even taken the matter up with the Food Administration at Washington, and the matter is now in the hands of the commission on car service, and they have a representative here to-day who is doing all in his power to secure equipment for us.

"Trust all your customers will be advised of these facts and that we can report to you an improved condition in the very near future."

A similar situation exists with producers generally who are now operating, and nothing can be gained by buyers or brokers in their efforts to secure shipments faster than it is humanly possible for producers to make them. Furthermore, many factories have not yet commenced operations account lateness of season. Please impress your trade with the fact that under these conditions delays in deliveries must be expected.

Yours, very truly,

MEINRATH BROKERAGE CO.

CHICAGO, *October 22, 1917.*

BEET SUGAR.

To representatives:

The following circular, dated Chicago, October 20, 1917, issued by the F. A. S. D. C., is self-explanatory:

"We have received the following telegram from Washington:

"'We consider it essential to reduce consistently sales sugar to confectioners. Production candy must be reduced in order to provide household needs. This request applies to manufacturers of gums, cordials, sirups, and all luxuries. Manufacturers of food products should have preference, condensed milk factories coming first.

'GEORGE M. ROLPH.'

"We are instructed from Washington to say that judgment must be exercised very carefully, giving due consideration to the employment question and great consideration to the food question, yet impressing upon all that the production and consumption of sugar luxuries must be reduced, due to the duty of this country, and determination to meet it, of supplying France with her actual sugar necessities.

"Any failure to carry out this policy will be considered a serious matter.

"FOOD ADMINISTRATION SUGAR DISTRIBUTING COMMITTEE,
"By HORACE C. EARLE, *Manager.*"

Late to-day the F. A. S. D. C. announced the receipt of the following telegram from Washington:

"Consider advisable discontinue selling entirely to confectioners and gum, sirup and cordial manufacturers, and manufacturers of other similar products. They will all probably be licensed shortly and their business reduced to minimum."

Please be governed accordingly in the handling of our beet offerings with your trade.

Yours, very truly. MEINRATH BROKERAGE CO.

CHICAGO, *October 22, 1917.*

To representatives.

GENTLEMEN: Under the system established for handling business with the Food Administration sugar distributing committee, it is not practicable for us to acknowledge the receipt of each order for beet sugers, and therefore we ask you to take it for granted that all orders you send in have been received and promptly submitted by us to the committee for consideration.

The committee may hold these orders a number of days before they advise us what disposition has been made of them, and meanwhile you will understand that we are as powerless as you are to give a buyer any information regarding confirmation, further than to say that his order has been submitted to the committee.

As soon as orders are reported back to us by the committee, we will promptly notify you of the disposition made of them, and meanwhile it will be useless for you to wire or telephone in tracing for faster action than is possible under Food Administration supervision.

There are a great many who do not yet seem to realize the great task undertaken by the Food Administration sugar distributing committee and who still expect the same service from their brokers as they received under the old order of things. This is not possible, especially now when a general sugar famine exists.

The sugar distributing committee will give every order their attention in due course and treat everybody alike in the equitable distribution of the beet crop.

Yours, very truly,

MEINRATH BROKERAGE CO.

CHICAGO, *October 22, 1917.*

GEORGE WM. BENTLEY, *Boston, Mass.:*

No beet consignments obtainable for any territory.

MEINRATH BROKERAGE CO.

CHICAGO, *October 22, 1917.*

GEO. WM. BENTLEY CO., *Boston:*

Amend Saturday's telegram to read "committees option bags barrels mail buyers preference assortments."

MEINRATH BROKERAGE CO.

BOSTON, MASS., *October 22, 1917.*

MEINRATH BROKERAGE CO.,
La Salle and Madison Streets, Chicago, Ill.:

Ship John T. Connor Co., Boston, 4 cars weekly, their actual present shortage of normal requirements. Also consign 100 cars to Boston. Will sell and distribute on arrival as actual shortage of trade makes advisable, thereby eliminating storage or other expense in handling such consignment. Sold E. C. Hall Co., Brockton, 2 cars.

GEO. WM. BENTLEY CO.

BOSTON, MASS., *October 22, 1917.*

MEINRATH BROKERAGE CO.,
La Salle and Madison Streets, Chicago, Ill.:

Sold, Boston, car each to Logan Johnson, Bain Bros., Cobb, Bates, O'Keeffe, Gray, Ginter, Daggett Co.; 2 cars each to Colonial Grocery, Empire Grocery, Loose-Wiles, Saville Somes, Segal Bros., Webster Thomas; 3 cars each to Boston Wholesale Grocery, H. A. Johnson; 5 cars to Bay State Grocery; car each to Garland Newton (Lynn), H. W. Parker (Manchester), J. P. Galligan (Taunton); 2 cars to Blake Curtis (Haverhill). Sales made all bags, but committee can ship bags or barrels as they choose.

GEO. WM. BENTLEY CO.

CHICAGO, *October 23, 1917.*

To representatives in central and eastern territories:

GENTLEMEN: We are to-day in receipt of the following letter, dated October 22, from the Food Administration sugar distributing committee:

"Please be advised that pending the distribution of orders already received we will not allot for distribution any orders received by us on and after this date until we further advise you. Under the circumstances, while you will continue sending your orders to this office for allotment as heretofore, you will please refrain confirming any orders already taken or that you may take hereafter until you have received notice of allotment from this office."

We understand from the above that owing to many factories not yet being in operation and the inability of those now operating to secure sufficient cars the Food Administration sugar distributing committee is now holding many orders recently submtted to them, which they will gradually pass upon only as increasing quantities of the new crop sugars become available.

Under the circumstances it will be useless for us to take up with the Food Administration sugar distributing committee the matter of any particular order which has not yet been allotted by them, excepting cases of extreme necessity affecting manufacturers holding Government contracts, the canning or preserving of perishable foods, etc.

Yours, very truly,

MEINRATH BROKERAGE CO.

BOSTON, MASS., *October 23, 1917.*

MEINRATH BROKERAGE CO.,
La Salle and Madison Streets, Chicago, Ill.:

Sales as follows: Vermont, car each to French & Bean, St. Johnsbury; Burlington Grocery, Burlington; De Witt Grocery, Brattleboro; two cars, Montpelier Grocery. New Hampshire, car each to Eldridge Baker, Manchester; C. E. Pinkham, Laconia; Holbrook Grocery, Woodsville; Holbrook Marshall, Nashua; Holbrook Grocery, Claremont; W. L. Goodnow Co., Holbrook Grocery, Abbott Grocery, Keene. Rhode Island, car each to Bresnahan Grocery, Woonsocket; Newport Paper Grocery, Newport; Providence Wholesale Grocery, Narragansett Wholesale Grocery, H. P. Cornell, 2 cars to National Wholesale Grocery, all Providence. Maine, car each to Beckett Co., Calais, Joseph Rabinowitz, Portland. Massachusetts, car each to Isenberg Co., Holyoke: E. J. Kelly,

Middleboro; Hitchcock Co., Ware; Berkshire Grocery, Pittsfield; M. Kahn, Medford; Dewire, Somerville; Swallow Fales, Charlestown; Isenberg Co., Springfield; Owens, Brockton; Anderson Nelson, Brockton; Kimball Co., Lawrence; Currier Todd, Lawrence; F. K. Dexter, Independent Beef Provision Lowell Grocery, all Lowell; Boston Confectionery, Manhattan Grocery Provision, George Close, Russell & Co., Potter Confectionery, Squirrel Brand Co., Bell Confectionery Co., all Cambridge; Youland McManus, I. G. Miller, Lynn; Eldridge Baker, Independent Wholesale, Salem; 2 cars each to Downing Taylor, E. O. Smith, Wholesale Grocery, Springfield; North Adams Wholesale, North Adams; Koritz Co., Lawrence; Yoffa Co., Lynn; 3 cars to Blood Co., Lynn; Boston, car each to Hood & Sons, C. N. Miller, Bay State Maple Syrup (receiver for W. & A. Bacon), Haskell Adams, B. Kuposky Co., S. S. Pierce Co., Page & Shaw, Boston Sugar Supply, Shaghalian Co., Winer Co., Houghton Dutton, Dow & Co., Samoset Chocolate, Eldridge Baker, M. O'Keeffe, Joseph Rabinowitz; 2 cars to C. B. Smith, Walter Lowney; car to Hood Rubber Co., East Watertown; car to United Grocers Wholesale, North Cambridge. Connecticut, car to Morris Joseloff, Waterbury. Bags or barrels, committees' option.

GEO. WM. BENTLEY CO.

BOSTON, MASS., *October 24, 1917.*

MEINRATH BROKERAGE CO.,
La Salle and Madison Streets, Chicago, Ill.

Additional sales: Maine, car each to Fuller Holway, Augusta; Davis & Co., Lewiston; Gross Co., Auburn; Lizotte & Caron, Sanford; Swett Co., D. W. True, Twitchell Champlin, Conant Patrick, Steadman Hawkes, all Portland. New Hampshire, Dickerman, Concord; Daniels, Cornell; McQuesten Lewis, Manchester. Connecticut, Frank Pepe, Andrews Fairbanks, Waterbury; 5 cars to Morris Cohn, New Britain. Massachusetts, car each to B. F. Arnold, Johnson Kettell, Daniels, Cornell; 3 cars to New England Sugar Supply, Worcester; car each to Driscol Church Hall, Allen Slade, two cars to National Wholesale Grocery Co., New Bedford; 1 car to Allen Slade, 2 cars to National Wholesale Grocery, Watuppa; car to Chavenson, 2 cars to New England Wholesale Grocery, Fall River; car each to Loker Bros., Natick; Miner Chocolate Co., Springfield; Simpson Rowland, Lowell; United Wholesale Grocers, Marlboro; Friend Bros. (Inc.), Melrose; Brockton Public Market, Brockton; M. J. Caplan, Lawrence; Gorton Pew Fisheries, Gloucester; L. E. Bradley, Southbridge; Cressey Dockham, Storage Grocery, Salem; Clarke Biscuit Co., H. W. Clark Co., North Adams. Boston, Wason Co., Fulton Confectionery Co., Chas. Singer & Son, General Baking Co., E. E. Gray, H. S. Lowell Bakers Supply, Walton Lunch Co., Waldorf Lunch Co.; 2 cars each to United Drug Candy Department, O'Keeffe, Webster Thomas. Bags or barrels, committees' option.

GEO. WM. BENTLEY CO.

BOSTON, MASS., *October 25, 1917.*

MEINRATH BROKERAGE CO.,
La Salle and Madison Streets, Chicago, Ill.

Further sales: Massachusetts, car each to Standard Grocery, Flitner Atwood, Ararat Grocery, Boston; car to Washburn Co., 2 cars to E. C. Hall, Brockton; 2 cars to Goritz Co., Lawrence; car to Briggs Co., Cambridge; car to American Specialty, Worcester. Connecticut, car each to Ralph Cavallaro, Bradley Smith, New Haven. Bags or barrels, committees' option.

GEO. WM. BENTLEY CO.

CHICAGO, *October 25, 1917.*

GEO. WM. BENTLEY CO., *Boston:*

Orders you submitted are being held up by Food Administration; sugar-distributing committee account increasing; delay in securing beet supplies due to greater acuteness in car situation arising from imperative necessity for first moving and saving grains. Will advise further soon as possible. Meanwhile please discontinue soliciting or submitting additional business.

MEINRATH BROKERAGE CO.

CHICAGO, *October 26, 1917.*

MR. GEO. WM. BENTLEY,
Care of Geo. Wm. Bentley Co., Boston, Mass.

DEAR MR. BENTLEY: Your favor of October 23, with clippings and copy of Marshall's circular, 22d. Thanks for all of these, and also thanks for the careful and intelligent efforts made by you toward carrying out the Food Administration's instructions in the scrutiny you gave the orders submitted. For your own personal information, beg to advise that the sugar-distributing committee here have gone on record in complimenting us for the character of general service which we have been rendering them, and, of course, this is largely possible because of the class of representatives we have.

At this moment we are unable to advise you further than our last night's telegram, reading:

"Orders you submitted are being held up by Food Administration sugar-distributing committee, account increasing delay in securing beet supplies, due to greater acuteness in car situation, arising from imperative necessity for first moving and saving grains. Will advise further soon as possible. Meanwhile, please discontinue soliciting or submitting additional business."

Fully appreciate how unsatisfactory this is to you and to your trade; but we can do no more at this time than to transmit to you the instructions received by us from the committee here.

Sincerely, yours,

MEINRATH BROKERAGE CO.

CHICAGO, *October 29, 1917.*

GEO. WM. BENTLEY CO.,
192 State Street, Boston, Mass.

GENTLEMEN: We have your letter of October 26, but are unable to submit the business listed therein to the Food Administration, as this, of course, would be contrary to their instructions.

Will advise you later of any new developments.

Very truly, yours.

MEINRATH BROKERAGE CO.,
Per ASH.

(This was the last of our orders and only cancellation made for weeks. See attached copy of our orders rejected immediately on receipt of our letter. All wire and other orders presumably were accepted or would have been included in this rejection. G. W. B. Co.)

OCTOBER 26, 1917.

MEINRATH BROKERAGE CO.,
La Salle and Madison Streets, Chicago, Ill.

GENTLEMEN: Your telegram of October 25 received this morning, and contents fully noted.

We will, therefore, govern ourselves accordingly.

Beg to advise you, however, that we received the orders enumerated below before we received your advices regarding the discontinuing of soliciting or submitting any additional business, and hope that you can put these before the sugar distributing committee for their approval:

Fitts Bros., Framingham, Mass., one carload.
I. Renaud Co., Fall River, Mass., to be shipped to Watuppa, Mass., one carload.
Curran Bros., Northampton, Mass., one carload.
H. S. Melcher Co., Portland, Me., one carload.
George Wolf & Co., Portland, Me., one carload.
Logan Bros. Co., Bridgeport, Conn., one carload.
John Bird Co., Rockland, Me., one carload.

Yours, very truly,

GEO. WM. BENTLEY CO.

(These only rejected orders November 22. See next letter attached. G. W. B. Co.)

CHICAGO, *November 22, 1917.*

To eastern brokers:

GENTLEMEN: Under instructions of the United States Food Administration, the distribution of all beet sugar in territory east of Buffalo–Pittsburgh will

be entirely in the hands of the American refiners' committee, 111 Wall Street, New York City.

We are instructed by the Food Administration sugar-distributing committee to notify all brokers or purchasers from whom we may have received any orders for sugar that said orders are not approved, and consequently must be declined.

Yours, truly,

GEO. WM. BENTLEY CO.

BOSTON, MASS., *December 26, 1917.*

HON. JAMES A. REED,
Washington, D. C.

DEAR SIR: All of the morning papers, in large headlines, display the statement, "Hoover has saved $22,000,000 to the people of this country," and some of the papers, in larger headlines, say, "Hoover saved people from 25-cent sugar." The fact of the case in this section is that he has saved us from all kinds of sugar.

Please note the following: We have correspondents in Cuba who act as our agents in Cuba. On October 22, when the sugar shortage in this section was very acute, believing that we could secure some sugar from Cuba so that we could distribute it amongst our employees, we wrote our correspondents in Cuba as follows:

"Would it be possible for you to ship any refined sugar to us? If such is the case, kindly send along 2 or 3 barrels and bill same up to us. We would appreciate it greatly if same would be done. We shall be glad to reciprocate in any way that we could. Shall be pleased to hear from you."

Under date of November 13 we were advised by our correspondents as follows:

Messrs. CLINTON E. HOBBS CO.,
12 Pearl Street, Boston, Mass., United States of America.

In reference to your letter of the 22d of October, we are sorry to inform you that we can not get permission to send you 3 barrels of refined sugar on your order.

Regretting the circumstances, and hoping for another occasion when we may be of service to you, we remain,

Yours, truly.

On receipt of that letter we wrote, under date of November 21, to Herbert C. Hoover, Food Administrator, as follows:

"DEAR SIR: When the sugar shortage in this section of the country became very apparent and began to be quite burdensome, we took the question of buying sugar in Habana, Cuba, up with one of our good friends down there, and asked him to purchase for us 3 barrels and ship it by United Fruit Co. steamer to us here. Our purpose was to distribute it among our employees.

"We made this application to our friends in Cuba on the 22d day of October. We have their reply to request under date of November 13, in which they say:

"'We are sorry to inform you that we can not get permission to send you 3 barrels of refined sugar, as you request.'

"It seems a little peculiar to the ordinary mind that is not connected up with the trust that permission to ship sugar can not be had. They have got the sugar there and are willing to ship it, provided permission to ship it can be secured by them. If there is any possible way that permission to have the sugar shipped could be obtained, we would thank you to advise."

We received from the United States Food Administration the letter as inclosed herewith. On receipt of that letter we wrote the international sugar committee as follows:

"GENTLEMEN: When the sugar shortage in this section became particularly pronounced, we thought we could import sugar from some friends in Cuba. We took it up with them, and they advised that they could ship the sugar all right, but they could not get permission to make the shipment. We figured that we would buy about 3 or 4 barrels and distribute it among our employees.

"When we found out that there was a Samson's post that a fellow who wanted sugar would have to but his head against, we took it up with the Food Administrator at Washington, and were advised by them that they referred us to you.

"Now, we want to know why we can not import sugar from Cuba. Has it got to a point where some trust has nailed it down so that if a fellow wants to buy sugar in Cuba, he can not do it? If you are the fellow who can issue the permit for sugar to be shipped from Cuba to the United States, please advise, so that we can import 4 barrels. We make this request as our right, as natural-born American citizens."

We received, under date of December 10, the inclosed letter from the international sugar committee, to which we made reply, on December 11, as per below:

"GENTLEMEN: Replying to your favor of December 10, in answer to our favor of December 8, the writer is perfectly familiar with the President's proclamation of November 28, which prohibited certain exports, but in this case it was an import, and the proclamation had nothing to do with the importation of sugar from Cuba, and I am also fully advised that this country is at war.

"I have been patriotic American enough to have my two sons educated for national service. Further, at the present time my partner and I are engaged in the production of material required by the United States Government in prosecuting the war. Every time inquiry is asked of any particular party, board, or committee on any specific subject, it appears that we are immediately shoved off to some other committee or board.

"As advised in our letter to you of December 8, Washington advises us to apply to you. Now you say, 'Go to the sugar refinery.' We know all about that. What is the use of going to the sugar refinery? Whenever a notice appears in the public press that there is going to be a carload of sugar from the West it is immediately announced that there is a shipload coming in. Somebody is 'bunking' this game somewhere, and we are after the fellow. If we can not buy sugar in America we want to buy it in Cuba. If you have any jurisdiction over the importation of sugar from Cuba, say so; if not, say so."

We have not been favored with a reply to our favor of December 11. We have asked the international sugar, under date of to-day, as follows:

"Kindly reply to our letter to you of December 11."

I am advised by my representative that sugar is being sold in Nova Scotia, New Brunswick, Quebec, and Ontario at 10 cents per pound, in 1-pound lots or barrel lots, whichever the fellow is amind to pay for, and, in addition to that, flour is plentiful in Canada and is being sold at $13 per barrel; and that on anthracite coal, of which Canada does not produce 1 pound, yet the coal pockets throughout the Dominion they are amply supplied, while New England is shivering for want of coal.

The only parallel of Hooverism in history is Genesis, XII, 48th verse. As an illustration of how the favored ones were treated, see chapter 13, Genesis, and as a final result of Hooverism, see Genesis, XLVII, 19th and 20th verses. Josephus, the Jewish historian, says that Joseph (Hoover) demanded of the people that they execute full and sufficient deeds of their lands to the crown.

Yours, truly,

CLINTON E. HOBBS.

WASHINGTON, *D. C., November 24, 1917.*

MR. CLINTON E. HOBBS,
Care of Clinton E. Hobbs Co., Boston, Mass.

DEAR SIR: Answering your favor of November 21, would refer you to the international sugar committee, 111 Wall Street, New York.

Yours, truly,

UNITED STATES FOOD ADMINISTRATION,
By ——— ———.

INTERNATIONAL SUGAR COMMITTEE,
111 WALL STREET, *New York City, December 10, 1917.*

CLINTON E. HOBBS CO.,
12 Pearl Street, Boston, Mass.

GENTLEMEN: Your letter of December 8 to the international sugar committee has been received. In reply thereto we desire to call your attention to the President's proclamation of November 28, 1917, published in the morning papers of November 29, prohibiting certain exports except under license, and giving power to the war board to issue such licenses. This proclamation, I believe,

answers your question as to whether or not "some trust has nailed it down so that if a fellow wants to buy sugar in Cuba he can not do it." The fact that this country is at war makes it absolutely necessary to conserve tonnage in every way. It is suggested that if you can not obtain sugar through your regular channels you apply to the refiners in your district.

Very truly, yours,

DEVLIN T. GIBSON,
Temporary Secretary.

DENVER, COLO., *December 22, 1917*

Senator JAMES A. REED,
Washington, D. C.

DEAR SIR: Supplementing my letter of the 21st instant, relative to food and fuel conditions, I desire to comment on the matters presented to your committee to-day by the beet growers. They seem to take the position that because the sugar companies are robbing the people the farmers should have part of the loot. But that is not the way to look at the question at all. It is not a question of dividing up the stolen goods and the loot taken from the consumer. The question is, What is the reasonable cost to the farmer to raise and deliver a ton of beets, and what is the reasonable cost to the sugar company to manufacture the sugar from a ton of beets, and what is the reasonable cost of distributing this sugar to the ultimate consumer?

It is a mistake to look at simply one product. The entire field must be surveyed. For if you fix prices in one branch of industry out of proportion to those fixed in other branches you dislocate industry, paralyze production, and encourage waste. If the price of labor is out of proportion in one industry, then all other branches are affected. And so it is with each other item of legitimate cost. It is wrong to let the beet grower have an exorbitant profit simply because the manufacturer is exacting unlawful gain. For if the beet grower is given a price out of proportion to the cost of production, then you take land from wheat and corn and oats production and cause a shortage there. And if one branch of industry is to be given increased profits because some other branch is looting, then we enter upon a vicious circle of ever-advancing prices, with no stability whatever, and a resultant demoralization in all lines of business and trade. The thing to do is to cut out the loot, stop the thievery, and protect the consumer, rather than embark upon a course of raising prices further upon a people already bowed down with the increasing burdens.

For every time a price is raised it is passed on to the ultimate consumer. And if he is engaged in some industry, he attempts to pass it on again by raising his prices. And so, ad infinitum, the process goes round and round. The Government must do as England has done; take over the absolute control and distribution of all the necessaries of life, from the field of production to the counter where the consumer purchases. Certainly if conservative England finds this the only effective means we should not hesitate to profit from the example.

But the Congress must do something more than investigate and talk. For three years these conditions have been growing worse, and nothing practical has been done. Deeds and quick action, and not words and slothfulness, are demanded by the people.

Yours, very truly,

JOHN A. RUSH.

DENVER, COLO., *December 17, 1917.*

Hon. EDWARD KEATING, M. C.,
Washington, D. C.

MY DEAR ED: You will probably note from the Denver Post and Denver Express that the Consumers' League movement is started here. Our committees are already appointed and at work. We mean business and will appreciate any suggestions or information you can furnish us. In this connection I understand the Walsh report has a very illuminating lot of statistics from the Indianapolis Coal Miners' Union relative to the cost of producing coal. Perhaps you could send us the volume containing this information. Any other books, pamphlets, or reports containing information upon food and fuel will be gratefully received. We have some of the best people in town actively working with us.

In this connection I note that Mr. Spreckels has been testifying before the Senate committee concerning Mr. Hoover and his organization. I do not know anything about who is telling the truth, but we do know that Mr. Hoover selected Mr. Stearns in this State and that Mr. Stearns is closely allied with the Great Western Sugar Co.'s people and that Mr. Stearns was not among the names sent to Mr. Hoover by Gov. Gunter. This fact might be interesting to Senator Reed.

Wishing you and Mrs. Keating the compliments of the near season, I am,

Yours, very truly,

JOHN A. RUSH.

DENVER, COLO., *December 21, 1917.*

Senator JAMES A. REED,
Washington, D. C.

DEAR SENATOR: I am pleased to note that you are investigating the sugar this year received about $6 per ton for beets, out of which the Great Western this year received about $6 per ton for beets, out of which the Great Western Sugar Co. extracted about 340 pounds of sugar per ton, and that this sugar is selling here for $8.15 per hundred. So that out of a ton of beets, which cost the company $6, the consumer is paying for the 340 pounds of sugar extracted therefrom $28.90, or a difference of $22.90. That this is an unreasonable profit is evidenced by the fact that during the first three quarters of the present year the Great Western Sugar Co. declared its regular dividend of 7 per cent on its common and preferred stock and also a special dividend for each quarter of 10 per cent on its common stock, or at the rate of 7 per cent on its preferred stock and 47 per cent on its common stock. In addition to this, the company has accumulated a stupendous surplus. Another feature of the situation is that we are charged for sugar in Denver at the Kansas City rate, plus the freight to Kansas City, although the sugar is produced right at our door and is never shipped to Kansas City or back again. We are thereby paying freight both ways upon an article that is not freighted at all. In addition to the income from the sugar, the Great Western Sugar Co. makes a large amount of money from the by-products and from the beet pulp, which is sold as feed for sheep and cattle. The investigation you are making is very creditable if it shall result in reaching the basic evil, and that is the profiteering by these large concerns out of the necessities of a people at war. But nothing will ever be done when food administrators are appointed who are in close affiliation with the very business that they are supposed to control. The food administrator appointed for this State by Mr. Hoover has been for a long time closely connected with the Great Western Sugar Co., and his name was not even suggested by the governor of this State in the list of names sent in by him to Mr. Hoover. No attempt has been made to lower the price of sugar, but, on the other hand, when the cane sugar men would not consent to reducing the price for their product 10 cents per hundred, the beet sugar men were allowed to increase their price 10 cents per hundred so as to make the price uniform. So that uniformity of prices under the food regulations simply means an increase in price. The fact is, that here in Denver we can buy sugar from Hawaii, freighted across the Pacific Ocean and over nearly 2,000 miles of railroad, at a less price per hundred than we can buy the beet sugar manufactured at our very door.

The true solution of all these problems is to determine the reasonable cost of production, the reasonable cost of manufacture, and the reasonable cost of distribution, and fix the price of products by zones. In some instances the producer is profiteering, in other instances the manufacturer is profiteering, and in other instances the distributor is profiteering. All of these profiteers should be taken by the neck and treated as traitors to their country. But investigations will do no good unless the problem is dealt with from a basic standpoint such as I have indicated above.

The coal situation here is another example of the absolute inefficiency of the fuel administrator. In certain camps the coal miners are making as high as $250 per month wages and the coal operators are waxing fat and the coal distributors are seeking enormous profits, so that the consumer is required to pay fully 50 per cent more for his coal than is reasonable or just, and all this is done under the sanction of Government regulation. It is about time that some regard were paid to the consumer, who, after all, must bear the entire burden. I trust that out of your investigations and out of the speedy action of Congress there may come some relief.

I have written you because you seem to be interested and because I am chairman of the consumers' league lately formed in this city, consisting of many of our most prominent citizens, who feel the injustice of present conditions.

Yours, very truly,

JOHN A. RUSH.

BLOOMFIELD, MO., *December 15, 1917.*

HON. JAMES A. REED,
Washington, D. C.

DEAR SIR: We are inclosing to you for your use in the Senate investigating committee on sugar shortage the last two invoices of the last two cars of sugar that we have purchased this season. You will notice that one of these cars was purchased under date of July 17 during the canning season when there was a heavy demand for sugar, and basis price for barrels and bags was $7.82 f. o. b. Bloomfield. The other invoice was under date of November 15, when there was not such demand for sugar and you will notice a basis price on this car is $7.58 only lacking 24 cents per hundred, being as high as the highest-priced sugar we have purchased any time this season, besides you will notice the car purchased at $7.82 is cane sugar while the car at $7.58 is beet sugar, wherein beet sugar is worth 25 cents per hundred less or thereabouts, making sugar at present time costing the jobber as much money as any time this year, while at the same time the Food Administration only allows the jobber to make a profit of 25 cents per hundred, which is equal to only about 3½ per cent, which is not sufficient profit for handling sugar, and at the same time, as Mr. Spreckels has said in his testimony, "The sugar trusts are getting as much or more for their sugar as they ever did in the history of the trade." The result is the jobbers refuse to handle sugar because there is no profit in it, and the refineries, or sugar trusts, are getting a higher price for their sugars under food control than they ever did before, and the jobbers not handling sugar there is no distributing center for the consumer to secure supplies.

We are confident that there is an injustice being done the jobbing trade on sugars. And they are asking the jobbers to sell sugars at an unreasonab'e small profit for the benefit of the sugar trusts, as all jobbers do not care about handling sugar under present conditions.

The jobbers are patriotic and want to do their bit, but do not want to do business at cost and a loss for the benefit of the sugar trusts, and it seems to us that there is something wrong in present arrangements. And you have our hearty support in your investigation along this line, and any assistance that we can be we will gladly render it.

You will please return to us the attached invoices when they have answered your purpose. Awaiting your reply, we are,

Yours, truly,

J. S. MAGEE GROCERY AND COMMISSION CO.,
By J. S. MAGEE, *President.*

CUSTOMER'S ORIGINAL INVOICE.

Contract No. 79. Contract date, November 15. Factory, Burley. Brokers' invoice No 46. November 15, 1917.

Seller hereby guarantees to the purchaser of the articles of food and drugs described in this invoice that they are not adulterated or misbranded within the meaning of the food and drugs act. June 30, 1906, and the amendments thereof.

Seller hereby guarantees that the merchandise covered by this invoice has been produced or manufactured in accordance with the Federal child-labor act of September 1, 1916.

Terms: Draft, with bill of lading attached, payable on arrival of car in New York exchange, or its equivalent.

Notice: Claim for loss, shortage, or damage will be allowed only when forwarded direct to producer and accompanied by necessary documents for support of claim.

The Amalgamated Sugar Co., Ogden, Utah, sold to J. S. Magee Grocery & Commission Co., Bloomfield, Mo., (3 per cent war tax).

Make settlement with railroad company for gross weight—77,577 pounds, at 58 cents per hundredweight. $463.45.

Original car initial and number, A. T. & S. F., 28311. Producers' consignment number, 633. Route, Frisco. Destination, Bloomfield, Mo.

770 bags fine granulated beet sugar, at $7.58 per hundredweight	$5,836.60
Total	5,836.60
Less 2 per cent @ Nov. 19, 1917	116.73
Total	5,719.87
Less war tax and freight from Burley, Idaho	463.45
Amount of draft, net amount due	5,256.42

Broker, J. M. Hutchinson, chairman St. Louis district.

THE AMERICAN SUGAR REFINING CO., NEW ORLEANS, LA.

July 17, 1917. Sold to J. S. Magee Grocery & Commission Co., Bloomfield Mo. Order No. 8613. Date of shipment. June 30, 1917. Ship to J. S. Magee Grocery & Commission Co., Bloomfield, Mo. Routing, Mo. Pac., St. L. & S. F

Terms: Cash 2 per cent 7 days in New Orleans or New York funds.

Boxes	Half barrels	Cases.	Bags.	Barrels.	Kind of packages.	Grade.	Mark numbers.	Pounds.	Price.	Amount.
									Cents.	
.....	.....	.....	.....	50	.....	F. G.	.....	17,437	7.82	$1,363.57
.....	.....	.....	25	.....	2	Dom. gran	.....	2,500	8 20	205.13
.....	.....	.....	25	.....	5	Dom. gran	.....	2,500	8 20	205.13
.....	.....	.....	75	.....	10	Dom. gran	.....	7,500	8 10	607.87
.....	.....	.....	75	.....	25	Dom. gran	.....	7,500	8.00	600.37
						Total	.....	37,437	.....	2,982.07
						Less 2 per cent	.....	.....	.....	59.64
										2,922.43

This invoice must be remitted in full. If for any reason you claim reduction of any of the foregoing charges send full itemized statement within 30 days to A. S. R. Co. Claim Department, for adjustment.

Goods at "Buyer's risk" after delivery to the carrier.

Arrived and unloaded July 7, 1917.

Please advise date and order number of invoice when remitting.

Important: The cash discount of 2 per cent on the amount of this bill will not be allowed unless remitted for within seven days from arrival.

Paid: The American Sugar Refining Co., New Orleans, July 18, 1917.

INTERNATIONAL SUGAR COMMITTEE,
New York City, December 26, 1917.

REMSEN MCGINNIS, Esq.,
Care of Sugar Division, United States Food Administration,
Washington, D. C.

DEAR MR. MCGINNIS: I would esteem it a favor if you would hand the inclosed copy of the contract between the Sugar Factors Co. (Ltd.) and the California & Hawaiian Sugar Refining Co. to the clerk of the Senate investigating committee, as the committee requested me to furnish a copy when I was on the witness stand.

Yours, very truly,

GEO. W. ROLPH.

1918 CONTRACT, SUGAR FACTORS CO. (LTD.) AND CALIFORNIA & HAWAIIAN SUGAR REFINING CO.

This agreement, made this 30th day of October, A. D. 1917, by and between the Sugar Factors Company, Limited, a corporation organized and existing under the laws of the Territory of Hawaii, party of the first part, hereafter called the "Seller," and the California and Hawaiian Sugar Refining Company, a corporation organized and existing under the laws of the State of California, party of the second part, hereafter called the "Buyer."

Witnesseth: That the parties hereto, for and in consideration of one dollar ($1.00) by each to the other in hand paid, the receipt of which is by each hereby acknowledged, and for other valuable consideration them thereto moving, have covenanted, agreed, and bound themselves, and do by these presents hereby covenant, agree, and bind themselves as follows, to wit:

AGREEMENT AND SALE OF SUGAR.

1. The Seller bargains and sells and agrees to deliver to the Buyer, at the port of San Francisco, for the prices and upon the conditions hereinafter named, the quantity of sugar hereinafter specified, produced from October 1, 1917, to October 1, 1918, namely for one year, and shipped within said period, upon and from all of the plantations in the Hawaiian Islands, the product of which is now controlled by the Seller as agent, and also any and all plantations in said Hawaiian Islands, which may hereafter during the term of this agreement be controlled by said Seller as owner and/or agent.

PLANTATIONS REPRESENTED BY SUGAR FACTORS COMPANY, LIMITED.

2. The said plantations, for which the Seller now acts as agent, are as follows, to wit:

Hawaiian Commercial & Sugar Company.
Hawaiian Sugar Company.
Kahuku Plantation Company.
Koolau Agricultural Company (Ltd.).
Maui Agricultural Company.
McBryde Sugar Company (Ltd.).
Apokaa Sugar Company (Ltd.).
Ewa Plantation Company.
Kohala Sugar Company.
Waialua Agricultural Company (Ltd.).
Hawaiian Agricultural Company.
Honomu Sugar Company.
Onomea Sugar Company.
Pepeekeo Sugar Company.
Walluku Sugar Company.
Honokaa Sugar Company.
Pacific Sugar Mill.
Makee Sugar Company.
Hawi Mill and Plantation Company (Ltd.).
G. N. Wilcox (Grove Farm Plantation.
Hawaii Mill Company (Ltd.).
Kekaha Sugar Company (Ltd.).
Kipahulu Sugar Company.
The Koloa Sugar Company.
Lihue Plantation Company (Ltd.).
Pioneer Mill Company (Ltd.)
Oahu Sugar Company (Ltd.).
The Waimea Sugar Mill Company.
Hamakua Mill Company.
Kaiwiki Sugar Company (Ltd.).
Kukaiau Plantation Company (Ltd.).
Laupahoehoe Sugar Company.
Union Mill Company.
Waiakea Mill Company.
Olaa Sugar Company (Ltd.).

AMOUNT.

3. Amount of sugar to be delivered under this agreement shall be 250,000 tons, the same to be delivered during said year; it is however agreed that, in case the Seller acquires hereafter, from time to time, control of the crops of sugar of other plantations or planters in said Hawaiian Islands, not included in this agreement, said quantity of 250,000 tons shall be increased in such proportion as the total crops of said other plantations or planters bears to the total crops of the plantations hereinabove specified. If for any unforeseen causes beyond the control of the Seller it becomes impossible to deliver the quantity of sugar provided for herein, the Seller shall, as soon as this condition becomes known, notify the Buyer thereof, and shall thenceforth prorate any deficiency between its obligations under this agreement and its other agreements for the sale of sugar.

CROP YEAR.

4. The term "year" in this contract is understood to mean the crop year, from October 1st to October 1st.

DATE OF SHIPMENT.

5. The date of any shipment shall be determined by the date of the bill of lading.

OBLIGATION OF SELLER RESHIPMENTS.

6. It is understood that the Seller shall make shipments for San Francisco delivery in quantities and at times suiting the convenience of the Buyer as nearly as possible, it being understood, however, that shipments shall be made approximately in equal monthly installments.

DELIVERY.

7. All sugars shall be delivered in accordance with the custom of the port, in good order and sound condition, except as hereinafter provided, on such safe wharf, dock or pier, where vessels can at all times lie afloat, as shall be designated by the Buyer. The Buyer shall have the privilege of ordering the vessel or shipment to be discharged at more than one wharf, dock or pier, but the extra expense in that event shall be paid by the Buyer.

It is understood that delivery at port of discharge shall be made ex vessel and by mark.

PRICE AND BASIS.

8. The Buyer agrees to pay to the Seller for each and every pound of sugar delivered the same price at which centrifugal sugars were sold on a basis of 96 degrees polarization in the New York market, including duty, if any, on the average of ten sugar market days previous to the date of arrival of such sugar at New York.

The selling price of centrifugal sugar in the New York market shall be ascertained by the reports of Nevers & Callaghan, sugar brokers, in New York City, if satisfactory, and in case of dissatisfaction by the reports of any other reputable sugar broker in said city who may hereafter be agreed upon by the parties hereto. Said selling price shall be deemed to be the price at which bona fide sales, whether private or public, of spot sugar or sugars reasonably due in twenty-eight days, including duty, if any, are actually made in the regular course of trade, for a minimum quantity of two hundred tons, but shall not include sales of Egyptian crystals nor sales to tobacconists nor of grocery sugar for direct consumption, nor sales of sugars for export to Canada, nor sales of Hawaiian sugars in the open markets of New York or Philadelphia, nor sales to speculators, nor sales of options on the New York Coffee Exchange.

In case there are sales of different lots above the minimum quantity of two hundred tons at different prices on the same day, then the average of the bona fide prices paid on such day, regardless of quantity of such lots, shall govern. In case there are no such sales on any one or more of the ten days specified, the last previous day's quotation shall be considered the quotation of such day or days of no sales.

In case the latest reported price for said centrifugal sugar shall be for sugar afloat or for prompt shipment, but reasonably due within twenty-eight days, being either the quotation known in the trade as "cost and freight" or that known as "cost, freight, and insurance," then there shall be added to such reported price such sum or sums as shall make it the duty paid equivalent of "spot sales" of sugar of the same quality, the pound sterling being converted into United States currency at the average recorded rate of sight exchange of the National City Bank of New York on date of sale, and the loss of weight on Java cargoes sold on invoice weights being considered to be one-half of one per cent.

It is understood and agreed that the date of arrival of sugar for the purpose of this agreement shall be the date of arrival as reported by the Merchants Exchange of San Francisco.

Whenever the basis of price under this contract shall be unsatisfactory and Buyer's and Seller's representatives can not agree, either party shall be at

liberty to submit the basis of price complained of to arbitration as provided in clause No. 20.

DEDUCTIONS AND ADDITIONS.

9. The price as above ascertained for centrifugal sugars of 96 degrees polarization shall be subject to the following deductions and additions:

First. On all sugars of 93 degrees polarization and upward a flat deduction of one-quarter (1/4) of one cent a pound, and on all sound sugars below 93 degrees polarization a flat deduction of three-eights (3/8) of a cent per pound.

Second. On all sugars above 96 degrees polarization an addition of one thirty-second (1/32) of a cent per pound per degree plus the difference in duty per degree on Cuban sugars, being a total addition under the law and treaty in force at the date of this agreement of .05205 cents per pound per degree; fractions of a degree in proportion.

Third. On all sugars below 96 degrees polarization down to and including 94 degrees polarization a deduction of one-sixteenth (1/16) of a cent per pound per degree plus the difference in duty per degree on Cuban sugars, being a total deduction at present as aforesaid of .0833 cents per pound per degree; fractions of a degree in proportion.

Fourth. On all sugars below 94 degrees polarization a deduction of three thirty-seconds (3/32) of a cent per pound per degree from the basis of sugar of 94 degrees, plus the difference in duty per degree on Cuban sugars, being a total deduction at present as aforesaid of .11455 cents per pound per degree; fractions of a degree in proportion.

TARIFF CHANGES.

10. In case of a general change involving either an increase or decrease in the present tariff duty on sugar, an adjustment in the purchase price hereinbefore mentioned shall be made between the Buyer and Seller on all sugars arriving at port of delivery within ninety (90) days previous to the taking effect of such change in duty, which, at the time of such change, are unmelted and in possession of the Buyer; such adjustment in price, up or down, to equal the difference between the price actually paid for the sugar and the price of centrifugals of like polariscopic test, based on an average of the price of the first sale in New York reported by Nevers & Callaghan after the date such change in duty takes effect, and the prices representing sales, if any, made during the next nine (9) days succeeding such sale, excluding Sundays and holidays; such average price to be subject to the additions and deductions provided for in this contract. If, on one or more of said nine (9) days, no sales are reported by Nevers & Calalghan, then the price as of the day next previous shall be taken as the market price on such particular day or days.

POLARIZATION.

11. The grade of all sugars delivered under this agreement shall be determined by polarization made by both parties hereto, through competent and impartial chemists employed by each of them, from samples to be jointly taken upon the delivery of each lot, sampling at least one in five bags of each mark of all such lots; and the average test shall be the basis of settlement. In case such polarization shall differ more than five-tenths (5/10) of a degree, then the parties shall select a competent person to make a third polarization from the combined samples originally taken by both parties and the average of the two nearest polarizations shall be the basis of settlement; provided, however, that in no case shall the grade be fixed higher than the higher, or lower than the lower of the said first two polarizations. The expense of the third polarization shall be divided equally between the parties hereto.

WEIGHT AND TARE.

12. The weight of each lot of sugar shall be determined at time of delivery by the Buyer and may be checked by the Seller. If a schedule tare can not be arranged to the mutual satisfaction of Buyer and Seller, then the actual tare of all sugars delivered under this agreement shall be ascertained according to the custom of the trade and deducted.

TITLE TO SUGAR.

13. The title to the sugar delivered under this agreement shall pass to the Buyer as soon as weighed at port of delivery.

LOSS OF SUGAR.

14. All sugars shipped to the Buyer, which are lost by fire or perils of the sea in transit from the Hawaiian Islands to the port of destination, or before title has passed to the Buyer, or which are ordered to be sold for account of underwriters, shall be deducted from the proportion and quantity of sugar which the Seller is obligated to sell and deliver under this agreement.

DAMAGED SUGAR.

15. In case of damage to any sugars delivered under this agreement, the Buyer agrees to accept on the dock where the sugar is ordered by it to be delivered, all sugars which by the application of the salt-water test show evidence of salt-water damage at the actual polarization and at the net price hereinabove mentioned for sound sugars, but with an additional deduction for such damage of three thirty-seconds (3/32) of a cent per pound. If this allowance is changed by custom of the trade, the same change is to apply to the sugars thereafter delivered under this agreement.

The Buyer also agrees to accept all sugars affected by sweat or fresh-water showing deterioration of two degrees or more from the average polarization of the sound sugars of the same mark at the actual polarization at the net price hereinabove mentioned, but with an additional deduction of one-sixteenth (1/16) of a cent per pound for such damage.

QUALITY, BAGS, ETC.

16. The Seller agrees that all sugars delivered under this agreement shall be of the usual grades and color of Hawaiian Island sugars, as they are turned out, without mixing the different grades of dry sugars; that they shall be shipped in new bags of standard quality when the same are reasonably procurable, and at all times in good, sound bags; and that under no circumstances whatever will any sugars subject to this agreement be purposely delayed in shipment.

PAYMENT.

17. The Buyer agrees to pay for all sugars delivered under this agreement net cash United States gold coin or its equivalent, payable in San Francisco ten days after final date of discharge from vessel.

TON.

18. The word "ton" as used in this agreement means the short ton of two thousand (2,000) pounds.

SAMPLE SCHEDULE OF DEDUCTIONS UNDER THIS CONTRACT.

19. For the purpose of illustration, the following table shows the amount to be deducted for each degree of polarization, per one hundred (100) pounds and also per two thousand (2,000) pounds of sound sugar, delivered under this contract, fractions of a degree not being shown:

SUGARS POLARIZING 96° AND BELOW.

Memo.		96°	95°	94°	93°	92°	91°	90°	89°
Basis of deduction is 1/16 cent.	0.0625	.....	$0.0833	$0.0833	$0.0833	$0.0833	$0.0833	$0.0833	$0.0833
Cuban duty per degree polarization	.0208	.....	.....	.0833	.0833	.0833	.0833	.0833	.0833
As per table	.0833	.....	.....	.....	.0833	.0833	.0833	.0833	.0833
		.....	.....	.....	.....	.0833	.0833	.0833	.0833
		.....	.....	.....	.....	.....	.....	.0833	.0833
		.....	.....	.....	.....	.....	.....	.....	.0833
Basis of deduction is 1/32 cent	$0.03125	.....	.....	.....	.03125	.03125	.03125	.03125	.03125
		.....	.....	.....	.....	.03125	.03125	.03125	.03125
		.....	.....	.....	.....	.....	.03125	.03125	.03125
		.....	.....	.....	.....	.....	.....	.03125	.03125
		.....	.....	.....	.....	.....	.....	.....	.03125
Basis of deduction is 1/8 cent	0.125	.....	.....	.....	.....	.125	.125	.125	.125
Total		.....	.0833	.1666	.28115	.5207	.63525	.7498	.86435
Contract deduction is 1/4 cent	$0.25	$0.25	.25	.25	.25	.25	.25	.25	.25
Grand total deduction per 100 pounds		.25	.3333	.4166	.53115	.7707	.88525	.9998	1.11435
Grand total deduction per 2,000 pounds		5.00	6.666	8.332	10.623	15.414	17.705	19.996	22.287

SUGARS POLARIZING ABOVE 96°.

Memo.		97°	98°
Basis of addition is 1/32 cent	$0.03125		
Cuban duty per degree polarization	.0208	$0.05205	$0.05205
As per table	.05205	.....	.05205
Total		.05205	.10410
Contract deduction is 1/4 cent	$0.25	.25	.25
Grand total deduction per 100 pounds		.19795	.1459
Grand total deduction per 2,000 pounds		3.959	2.918

ARBITRATION.

20. It is further agreed that all matters of disagreement arising under this agreement which can not be adjusted by the parties hereto to their mutual satisfaction shall be left to arbitration. Each party shall select one impartial arbitrator and the two so selected shall select a third arbitrator, and the decision of any two of said arbitrators shall be final and conclusive upon the parties hereto. Any expense attached to such arbitration shall be divided equally between the parties.

PARTIES.

21. This agreement shall be binding upon the parties hereto, their executors, administrators, successors, and assigns.

In witness whereof the said parties hereto have caused these presents to be signed.

SUGAR FACTORS COMPANY, LIMITED,
By E. D. TENNEY,
E. F. BISHOP,
Its Attorneys in Fact.

CALIFORNIA AND HAWAIIAN SUGAR REFINING COMPANY.
By W. M. ALEXANDER,
Its First Vice President.

[SEAL.] P. A. DREW,
Secretary.

UNITED STATES FOOD ADMINISTRATION,
New York City, January 19, 1918.

Hon. JAMES A. REED,
Chairman Committee on Manufactures, United States Senate.

DEAR SIR: I was advised through Mr. Lamb that at the sugar inquiry on the 8th instant reference was made to an option or contract with a Mr. Rionda, and that you, in behalf of the Senate Committee on Manufactures, requested from the Food Administration any documents or papers connected in any way with that reference.

The matter being called to my attention, I advised the Food Administration at Washington that I was the one having personal knowledge of the matter referred to, and stated that there were no contracts or papers of any kind in connection with the transaction covered by the designation "Rionda contract or option," which information, I understand, Mr. Lamb presented to your committee with the statement that I would be glad to appear before the committee and give the information in person, if desired. Mr. Lamb has further advised it would be agreeable to the committee for me to make a written statement and forward the same to you. I therefore state that so far as I know there were no written contracts, documents, or papers executed by or in possession of the United States Food Administration, or anyone acting for it, in connection with the transaction in question, the facts in which were as follows:

About the middle of July raw sugar began to advance very rapidly from 6½ cents per pound and reached a price of 7.77 cents per pound about the middle of August, and threatened to go very much higher. There was very little sugar left in Cuba, and in order to protect the consumers of the United States from a rise in hundreds of thousands of tons of sugar inside the United States by speculation in a minor quantity outside the representatives of the allied Governments were asked to withdraw from the Cuban market. The representatives referred to acquiesced in that request, and immediately thereafter the American refiners were requested to withdraw from the Cuban market also. I am making this preliminary statement so that you may understand the transaction in which Mr. Rionda's name was mentioned.

Inasmuch as all buyers were thus eliminated, it became necessary to set up some machinery by which any available sugars could be secured at a reasonable price. As the Food Administration had no authority to buy or sell sugar, and we had requested refiners to refrain from buying in the Cuban market only, it seemed to me that something should be done to guard against losing any Cuban sugars that might be available or that might be offered. In accordance with the following out of that view, I called on Mr. Manuel Rionda, of the firm of Czarnikow-Rionda Co., explained the situation, and stated that the Food Administration had no authority to buy or sell sugar, but that it was necessary to obtain all sugar offering or available. Mr. Rionda volunteered to cooperate and stated that he would obtain options on all sugar offered, and give me the first call on it for distribution to refiners. He ultimately obtained options on 128,000 bags of that offered or obtainable from September 14 to October 18 at 6.90, duty paid, delivered New York, a price which I approved and which was calculated to attract sellers. The Czarnikow-Rionda Co. have a very excellent reputation and standing in New York, and are probably the largest sugar firm in the world.

Subsequently 35,000 bags of this amount, which had been offered by the United Fruit Co., were withdrawn and sent to their Boston refinery. Three thousand bags were molasses sugars, not suitable for refining, and were resold in Cuba and will probably be worked over into raw sugars this year. This left options on a net amount of 90,000 bags.

It was agreed with the allied representatives that one-third of any sugar thus obtained should be set aside for the allied countries or Canada. The royal commission, unfortunately, apparently did not notify, or the Canadian refiners did not heed, the request, for they continued buying sugar until October 5, when by arrangement with the food controller of Canada they also withdrew from the market.

The sugar secured as the result of Mr. Rionda's action was allotted as follows: 25,000 bags, or 27.7 per cent, were delivered to the Warner Sugar Refining Co., although the proportion they were entitled to under the rulings of the American refiners' committee was only 7.2 per cent; 33,300 bags, or 37 per cent, were delivered to the Federal Sugar Refining Co., although under the rulings of the same committee they were entitled to only 9.6 per cent; 31,700 bags, or 35 per cent, were delivered to the American Sugar Refining Co., although under

the rulings of the same committee it was entitled to 40.6 per cent. However, in order to carry out the Food Administration's understanding with the royal commission, it was understood that the American Sugar Refining Co. would set aside 30,00 bags of that delivered to it for the royal commission under the promise that was given at the time of its withdrawal from the Cuban market. The royal commission ultimately released this sugar to the United States, and a large part of the sugar that was delivered to the American Sugar Refining Co. was sent to Belgium for Belgian relief work in lieu of sending it to the royal commission, who, as above stated, had released it. This release in the United States offset to some extent the sugar that was purchased by the Canadian refineries between September 14 and October 5, when they withdrew.

These were all the sugars that were obtainable between September 14 and October 18, when the international sugar committee began to arrange purchases for mutual account and all of which subsequent purchases were assigned to the different refiners under instructions from the American refiners' committee.

You will realize from the above that the machinery to secure sugars was set in motion immediately that the buyers were asked to withdraw from the market, and the interests of the United States and her allies were never for a moment overlooked, as there was a buyer at all times for all sugars offering or obtainable, and that they were fairly allotted so far as the Federal Sugar Refining Co. is concerned, there can be no question when you realize that that company received 37 per cent when it was only entitled to an allotment of 9.8 per cent. No other refiner, even those who received no sugar, criticized this distribution.

Yours, faithfully,

GEO. M. ROLPH,
Sugar Division, United States Food Administration.

[From the Republic of Cuba News Bureau, New York.]

FOOD AND FUEL FAMINE IN CUBA.

Grave economic conditions throughout Cuba, due to a famine in foodstuffs and a coal shortage, were reported yesterday (Thursday) in cabled advices from the highest official sources in Habana to the Cuban News Bureau here. There is no flour on the island, and the baking of bread ended yesterday (Thursday) both in households and commercially. Prices of food as a result have risen to impossible heights despite Government control of foodstuffs, lard selling at $1 a pound and more, with little on the market.

This crisis in Cuba's existence, coming at a time when the energies of the Cubans are centered on the production of their record-breaking 3,500,000-ton sugar crop, and negotiations between the Cuban Government and the United States Food Administration are still pending over the way the sugar is to be marketed is made still more serious, the cabled advice said, because Cuban railways and industries face paralysis due to an impending coal famine. "We are literally without bread at any price," the news bureau cablegram added, "and the coal supply will be exhausted at the end of the present month. This means a complete paralysis of Cuba's industrial and economic life, and finally will redound to the injury of the allies through sheer inability to get out the sugar crop. The United Railways of Habana and the Cuba Railroad have only coal enough on hand to last until February 1. If the United States Government does not take prompt steps to see that coal is shipped immediately in sufficient quantities, a tremendous crisis will be upon us, all traffic will be stopped, and the sugar crop will be lost to the world."

A Cuban official who is in New York on a mission for his government explained the serious situation on the island yesterday (Thursday), as follows: "While there is no disposition unduly to criticize the Fuel and Food Administrations, it is realized that in depriving Cuba of a competitive market for its sugar output, and, failing to afford the promised relief from the economic crisis thus created, the Food Administration has brought to bear on the island a most serious situation and one tending to discourage future extensive sugar production.

"Licenses are necessary for the exportation from the United States to Cuba of her food and coal, and failure of the Cubans to obtain these licenses at this critical time is due either to a grave misunderstanding by the Fuel and Food Administrations, to blundering, or to both. The present predicament

of Cuba is not of her own making. Cubans were assured six months ago that their food requirements would be met if they would produce a bountiful sugar crop. The present 3,500,000-ton production is a result, but relief is needed badly as regards other foodstuffs and fuel, and the Cubans seek only the same consideration as allies, rather than as neutrals or enemies, that they have extended in making so many national sacrifices to prevent a world sugar shortage."

CHICAGO, *January 14, 1918.*

S. B. HOUCK, *Minneapolis, Minn.*

DEAR SIR: You know that our Government has taken over the island of Haiti. Do you realize what that means to our country—to you?

You can possibly get some idea when I tell you that the island of Haiti, which is only about the size of the State of New Jersey, 100 years ago had exports valued at $45,000,000, including 140,000,000 pounds of sugar and imports at $36,000,000; it also had shipped $400,000,000 worth of gold and silver to Spain.

You have not heard much about Haiti because she has been commercially dead for the last hundred years, on account of internal strife and revolutions, but Uncle Sam has stepped in, straightened the natives out, and we have followed him with our money—$5,500,000—which gives us practical control of the richest part of the richest island in the world.

We will be shipping more than 30,000,000 pounds of cane sugar during the year, produced by 20-cent labor; double that quantity next year.

You must be wondering how to increase your income to compensate for lower rates and depreciating values—what to buy along with liberty bonds.

Join us in the profits of a cane-sugar business which, at the price set by Mr. Hoover, will earn from 28 to 47 per cent a year.

Return this letter in the inclosed envelope and I will send you full particulars.

Very truly, yours,

BREED, ELLIOTT & HARRISON,
By W. D. BREED.

NEW ORLEANS, *January 21, 1918.*

Hon. JAMES A. REED,
United States Senate, Washington, D. C.

SIR: Having observed from the press that you were interested in the manner in which the Food Administration Bureau has been operated, I am taking the liberty of calling the following matters to your attention, hoping they may be of some service to you:

The Food Administrator made a written statement to the United States Senate committee on the subject of his administration, and particularly on the subject of the fixing of sugar prices. This statement was published in the newspapers during the last week of December. In this statement the Food Administrator speaks of having obtained a voluntary agreement with beet-sugar factories in regard to the price of sugar and continues by saying that this was followed by similar agreements as to Louisiana, and further on in the statement, after several times referring to these agreements as voluntary, the Food Administrator says:

"There was no other way under the law to prevent profiteering except by voluntary agreement, as the food bill carried no power to fix prices."

In spite of this interpretation of the food law, the Food Administrator issued to many, if not all, of the sugar producers of this State, on or about November 3, 1917, the following telegraphic orders:

"Under powers conferred by section 5 food control act I have determined that any sale of 1917 washed plantation clarified seconds, thirds, or open kettle sugars at a price in excess of $7.25 per hundred pounds less 2 per cent f. o. b. New Orleans or raw sugar in excess of $6.35 per hundred pounds f. o. b. New Orleans will give manufacturer an unjust, unreasonable, and unfair profit. Any sale made after November 2 at greater price will be cause for revocation of license and subject you to penalties of the acts.

"HERBERT HOOVER,
"*Food Administrator.*"

There was absolutely no voluntary agreement on the part of the sugar planters to sell their sugar at the price fixed arbitrarily by the Food Administration. They were forced to sell their sugar at that price—though the price was absolutely unfair as compared to the price fixed for other products—by

the threats contained in the telegram above quoted of a revocation of their license and of the penalties of imprisonment, etc., under section 5 of the law.

On many articles no price has been fixed at all. On one article—that is, wheat—only a guaranteed minimum price has been fixed. This guaranteed minimum price and the uncontrolled prices of other articles of food and cotton and cottonseed products were very much higher, as compared with the average 10-year prewar price of the same articles, than was the fixed maximum price of sugar as compared with the average 10-year prewar price. The price of sugar was scarcely more than from 25 to 50 per cent above the average prewar price, while the price of wheat was about 150 per cent over the prewar average price.

If it be true, as stated by the Food Administrator in the above-mentioned statement, that he had no power to fix prices, then the power of his office was used to deceive the producers, who were ordered to sell for no prices in excess of those fixed, and who were told by the Food Administrator, both in Washington and in Louisiana, that a violation of the order contained in the telegram above quoted would cause a revocation of their licenses and the resulting closing down of their factories. The producers were not told until after their crops had been sold at the low prices that the Food Administrator himself claimed no power to fix prices and that the order fixing them which was actually enforced was known by him to be without right and authority when he issued same, yet this seems to be the inevitable conclusion to be drawn from the written statement above referred to.

While the producer was forced to sell his sugar at the unfairly low prices above mentioned, the consumer, in whose ostensible interest the order was issued, did not get the benefit of the low prices. The middleman and retailer were permitted to make abnormally large profits and thereby to become the only persons to benefit by the penalties inflicted upon the producer.

It is claimed at times that it is the desire to encourage the producer, but he receives no encouragement from such treatment as that above mentioned. All any of us want is fair and impartial treatment. This the sugar planters did not receive, as will be apparent from a mere reading of the above facts. They were made the sufferers not for the benefit of the consumer but of the middleman, and they were made the sufferers by peremptory orders and threats of closing down their factories when, from the statement issued by the Food Administrator after the order had accomplished its purpose, it appears he had no authority to fix the price of sugar.

Apologizing for intruding upon your time to this extent, I am,

Respectfully,

CHARLTON R. BEATTIE.

AMERICAN SUGAR REFINING CO.,
NEW YORK, *January 3 1918.*

Subcommittee of Committee on Manufactures Investigating Sugar and Coal, United States Senate, Washington, D. C.

GENTLEMEN: I desire to make a statement for incorporation in the record of my testimony of the following full information in regard to the employment by the international sugar committee of certain former employees of the American Sugar Refining Co.

Particularly I desire to point out that the Government of the United States does not pay any salaries or any expenses of either the members of the international sugar committee or its employees. Clause No. 6 of the contract entered into between all of the refiners and Mr. Hoover provides that the refiners will pay on each purchase arranged for by the international sugar committee and the American refiners' committee a sum for each ton that, "calculated on the entire tonnage handled by the committees, will be sufficient to pay the actual expenses of the committees, this amount to be calculated at such intervals as the committees may determine."

Upon the execution of these contracts it became essential that an office and office force to carry on the work of the committee be provided immediately.

Within a day or two after my appointment to the international sugar committee, Mr. George M. Rolph, chairman of that committee and in charge of the

sugar division of the United States Food Administration, called myself and Mr. William A. Jamison into conference in New York and asked us to secure suitable quarters for the committee and to assemble a temporary organization. He stated that his own organization and his own connections were in San Francisco and, further, that his duties would keep him in Washington and he therefore requested Mr. Jamison and myself to look after the preliminary organization of the international sugar committee. Furthermore, he stated that Sir Joseph White-Todd and Mr. J. Ramsey Drake had been selected by the British royal commission on sugar supply as the representatives of the allies on the international sugar committee.

In response to this request of the Government through Mr. Rolph, both Mr. Jamison and I gave the matter immediate attention, and accordingly leased three floors in a new building near completion at 111 Wall Street, that space being all that was available in the sugar district.

It was urgent that the office force and equipment be provided at once, and I called upon Mr. Edward Y. Crossmore, assistant sales manager of the American Sugar Refining Co., after consultation with Mr. Jamison, to attend to the details of installing the proper office equipment and to arrange in conjunction with the representative of Mr. Jamison for the transfer to the offices of the committee of an experienced and competent organization. In turning the matter over to Mr. Crossmore I asked him to visualize a completely appointed and equipped office from the pictures on the wall to ink in the wells, so that in 10 days elapsing before the arrival of the representatives of the allies there should be a completely established office force, from stenographers to porters; from elevator man to telephone operator, all of American antecedents, loyal to their country, and known to be of unquestionable integrity and loyal to the members of the international sugar committee. Especially did I emphasize that inasmuch as the information in this office was important to the German secret service; that in view of the series of sugar ship fires during the war, the news of the movements of ships would be of the utmost importance and value to Germany; that everyone in that building should be free of the slightest sympathy or suspicion of sympathy with Germany.

Mr. Crossmore laid out the office at 111 Wall Street, and he, with other members of my staff, worked day and night to get the quarters ready for the arrival of the representatives of the allies on the committee. It was during this period for the quick accommodation of men with duties at two places that direct telephone connection was installed at Mr. Crossmore's direction. I was unaware of it until I heard of it before the committee.

Within 10 days this work was so completely and effectively worked out that when the British representatives arrived on October 22, 1917, they found a complete office equipment and force at hand. Their first question was, "Can we dictate our cables here with safety?" To which I answered that every person in the temporary organization was of tried integrity and we, as members of the committee, would answer for their acts.

The sole object we had in loaning these employees to the international sugar committee at the request of the Government, through Mr. Rolph, was to get the organization in working order in advance of the arrival of the representatives of the allies. I especially consulted with Messrs. C. A. Spreckels, James H. Post, and George H. Earle, jr., in regard to the employment of certain persons and on the matter of taking such persons out of the American Sugar Refining Co., who were known for their tried integrity and patriotism.

Originally, thirteen employees of the American Sugar Refining Co. were loaned to the committee; these consisted of clerks, stenographers, office boys, porters, and two special policemen.

On the arrival of the representatives of the allies one of the first matters taken up was that of providing an office manager. The United States Food Administration, through its statistical department, appointed Dr. William Marshall, formerly head of the department of mathematics at Purdue University. Accordingly the Food Administration installed Dr. Marshall in full charge of the employees at 111 Wall Street with full authority to hire or discharge them.

I submit a list of the employees of the international sugar committee on December 15, 1917, as follows:

List of employees of the international sugar committee, Dec. 15, 1917.

Name.	Position.	Salary per month.	Former connections.
Dr. William Marshall	Chief statistician and controller.	$416.67	Professor Purdue University Purdue, Ind.
D. H. Gibson	Assistant statistician	410.00	Traveling auditor of the American Sugar Refining Co.
H. M. Ballou	do	(1)	Formerly with publication Facts About Sugar.
H. C. Mott	Agent for arranging purchases of raw sugar.	1,666.67	Raw sugar buyer of the American Sugar Refining Co.
G. M. Morris	Clerk	166.67	With United States Food Administration, Washington, D.C.
G. H. Scribner	Assistant secretary	200.00	Engineer, Chicago.
Eugene J. Carti	Porter	75.00	Porter, American Sugar Refining Co.
Vita Osnato	Janitor	65.00	
Harry Murphy	Office boy	40.00	Office boy, American Suger Refining Co.
Robert Burger	do	40.00	Do.
Louis Mancini	do	35.00	Office boy.
Miss E. W. Scanlon	Stenographer	125.00	Stenographer, American Sugar Refining Co.
Miss C. O. Scanlon	do	120.00	Do.
Miss C. E. Zeisse	do	95.00	With Russell Sage Foundation.
Mrs. E. A. Roberts	do	95.00	Recommended by L. C. Smith Typewriter Co.
Miss Hazel Du Puy	Typist	75.00	With aeroplane company in Plainfield, N. J.
Miss P. A. Wood	do	80.00	In business for herself.
Miss Lilian Gurnee	Filing clerk	110.00	
Mrs. M. E. Pressbury	Telephone operator	75.00	Operator with American Sugar Refining Co.
Pierce A. Drew		(1)	Secretary, California-Hawaiian Co.
Edwin T. Gibson	Temporary secretary	(1)	With legal department, American Sugar Refining Co.

[1] Volunteer.

On this date, December 15, 1917, it will be observed that there were 21 employees, 18 of whom are salaried and 3 volunteers. Upon the list are nine former employees of the American Sugar Refining Co. Of these, seven are employed in a purely clerical capacity, with no power of decision. One is a volunteer worker and acting as temporary secretary of the committee. The other, Mr. Henry C. Mott, occupies a most responsible position and works directly under the orders of the international sugar committee as agent for the arranging of purchases. Mr. Mott is one of the most experienced men in the raw-sugar business in the world and is a man of the highest integrity and standing. He receives from the refiners under the contract the same salary which he has been paid for more than 10 years past.

I am also submitting the following statement in regard to matters about which you have requested additional information:

(1) On December 20, 1917, I submitted, in answer to questions, certain figures prepared in Washington giving the difference between the various refiners' average prices from January 1 to October 1, 1917, in cents per pound, net cash, fine granulated sugar, selling price based on refiner's list price each day, whether selling or withdrawing, and the average price for raw sugar, 96° test, for the same period. You requested me to obtain similar figures for the years 1915 and 1916. The following figures are compiled from statistics of Willett & Gray and give the margin between raw sugar of 96° test and fine granulated sugar based upon refiner's list price on each day, whether selling or withdrawing, and where no list price has been given the last previous list price has been used. The figures for the year 1915 are as follows:

	American.	National.	Warner.	Arbuckle.	Federal
Granulated	5.593	5.588	5.614	3.591	5.641
Raw	4.642	4.642	4.642	4.642	4.642
Difference	.951	.946	.972	.949	.999

A similar tabulation made in the same manner for the year 1916 gives the following result:

	American.	National.	Warner.	Arbuckle.	Federal.
Granulated	6.876	6.883	6.921	6.872	6.968
Raw	5.786	5.786	5.786	5.786	5.786
Difference	1.090	1.097	1.135	1.085	1.182

It will be noted that the margins stated are simply the difference between quotations given by Willett & Gray and do not purport to give the actual margin which may have been received by any refiner, as that depends largely at what price he bought his raw sugar in the open market.

In this connection, I desire to state that I have been requested by Arbuckle Bros. to state that the actual difference or margin between the cost to them of raw sugar, basis 96° test, and the net cash price received by them for fine granulated sugar from January 1, 1917, to the closing down of their refinery in October, 1917, is 1.1918 cents per pound.

(2) The following table gives the amount of all package sugars sold by this company from October 1, 1917, to December 15, 1917, together with the dates when the various sizes of cartons and cotton bags were put upon the market.

Deliveries of carton and small cotton-bag sugars Oct. 1 to Dec. 15, 1917—The American Sugar Refining Co.

Variety.	Kind of packages.	Date placed on market.	Deliveries, Oct. 1 to Dec. 15.	Barrel equivalent.
			Pounds.	
Crystal domino tablet, F. S	2-pound carton	October, 1908	370,018	1,057
Crystal domino tablet H. S	do	April, 1911	1,503,388	4,295
Crystal domino tablet F. S	4-pound carton	February, 1917	1,142,336	3,264
Do	5-pound carton	November, 1901	210,964	603
Do	15-cent carton	July, 1914	328,897	940
Dainty lumps	1-pound carton	January, 1915	122,311	349
Do	2-pound carton	June, 1912	143,664	410
Confectioners	1-pound carton	October, 1912	1,475,903	4,217
Powdered	do	June, 1911	575,287	1,644
Old-fashioned brown	do	January, 1917	504,529	1,442
Powdered	5-pound bag	September, 1902	36,900	105
Fine granulated	1-pound carton	March, 1915	456,782	1,305
Do	2-pound carton	February, 1899	19,461,434	55,604
Do	2-pound bag	May, 1899	2,795,252	7,986
Do	3½-pound bag	March, 1910	5,956,965	17,020
Do	do	January, 1904	1,178,450	3,367
Do	5-pound carton	October, 1899	11,640,878	33,260
Do	5-pound bag	November, 1898	5,700,068	16,286
Do	10-pound bag	June, 1903	3,467,600	9,907
Do	25-pound bag	June, 1901	9,046,453	25,847
Do	50-pound bag	September, 1902	214,550	613
			66,332,629	189,521
Wrapped crystal domino tablets		September, 1914	249,459	713
Total			66,582,088	190,234

SUMMARY.

Deliveries, all sugars during period, barrels	612,034
Deliveries, package sugars during period, barrels	190,234
Per cent of carton and small cotton bag sugars to all sugars during period	31.08

(3) The following table gives the deliveries of refined sugar by this company from January 23, 1917, to March 15, 1917, during which period certain strikes took place in our refineries:

Deliveries of refined sugars during strike period, from Jan. 23 to Mar. 15, 1917.

	Barrels.
Jan. 23 [1]	23,538
Jan. 24 [1]	14,750
Jan. 25 [1]	16,354
Jan. 26 [1]	18,855
Jan. 27 [1]	16,920
Total (5 days)	90,417
Jan. 29	19,033
Jan. 30	13,615
Jan. 31	16,557
Feb. 1 [2]	16,609
Feb. 2	14,467
Feb. 3	21,569
Total (for week)	101,850
Feb. 5 [3]	10,609
Feb. 6	9,219
Feb. 7	18,173
Feb. 8	15,881
Feb. 9	18,740
Feb. 10	18,766
Total (for week)	91,388
Feb. 12	8,759
Feb. 13	14,844
Feb. 14	16,942
Feb. 15 [4]	33,331
Feb. 16	36,014
Feb. 17	24,089
Total (for week)	133,979
Feb. 19	46,871
Feb. 20 [5]	34,284
Feb. 21	24,811
Feb. 22	.....
Feb. 23 [6]	34,195
Feb. 24	29,153
Total (for week)	169,314
Feb. 26	34,505
Feb. 27	35,358
Feb. 28	27,397
Mar. 1	28,163
Mar. 2	32,933
Mar. 3	42,097
Total (for week)	200,453
Mar. 5	22,659
Mar. 6	26,145
Mar. 7	20,472
Mar. 8	26,146
Mar. 9	26,697
Mar. 10	24,683
Total (for week)	146,802
Mar. 12	35,407
Mar. 13	24,438
Mar. 14	21,899
Mar. 15	29,245
Total (4 days)	110,989
Jan. 23–31	139,622
Feb. 1–28	544,589
Mar. 1–15	360,984
Total for strike period	1,045,192
	Barrels.
Average weekly deliveries during strike period	142,526
Average weekly deliveries Jan. 1 to Dec. 1, 1917	146,065

Very respectfully, yours,

EARL D. BARST.

SUGAR IN 1917.

By FRANK C. LOWRY, sales manager Federal Sugar Refining Co.

1917 will long be remembered in the sugar trade because we have been brought face to face with unprecedented conditions of supply and demand.

The crop prospects early in the year were quite favorable, particularly in Cuba, where it was estimated by Mr. Himely that with normal conditions the crop to be harvested would yield a return of 3,466,000 tons against 3,006,000 tons in 1916. As other domestic crops were expected to yield something more

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[1] Brooklyn refinery strike occurred on Jan. 23.
[2] Philadelphia refinery strike occurred on Feb. 1.
[3] Brooklyn refinery resumed melting Feb. 5, but with curtailed daily output.
[4] Jersey City refinery strike occurred on Feb. 15.
[5] Philadelphia Refinery resumed melting Feb. 20, but with curtailed daily output.
[6] Jersey City Refinery resumed melting Feb. 28, but with curtailed daily output.

than in 1916, the prospective increase in Cuba seemed to assure us of an ample supply, and prices after opening at 4½ cents cost and freight for Cubas, declined in January to 3⅞ cents cost and freight.

It was in February that we first came in contact with conflicting currents. The first of these appeared in the shape of labor troubles at the different refineries. These steadily became more serious, finally closing up entirely the Philadelphia plants and leaving but one or two refineries in New York operating. This lessening of refiners' buying power would of itself have a bearish effect on raw sugar, with quite the contrary result on refined. The latter was not in very full supply, on account of the trade having little or no reserve stock, due to their having gone out of refined sugar on the 1st of January in anticipation of lower prices resulting from an increased new crop supply. Quite naturally a good deal of newspaper publicity was given to the strike situation and possible shortage. This resulted in increased purchases on the part of the public, so that the light stock in the hands of the distributing trade was quickly exhausted, and temporarily we had what was referred to as a "sugar shortage," but this proved to be only a mild forerunner of what was later in the year to appear in a much more serious form.

I mentioned above that the strikes should and certainly would have a bearish effect on the raw market if they had not been completely offset by a political disturbance that developed in Cuba by February 13, when the possibilities of a revolution in that isand occupied the center of attention and naturally resulted in advancing the price of raw sugar. There were times when sellers of raw sugar withdraw entirely from the market, and we witnessed the unusual spectacle in the middle of February of having nothing offered at any price. Other influences that appeared at this time were the disappointing yield of the Cuban cane, reduced receipts, and the difficulties attendant upon the probable declaration of war between the United States and Germany, the latter further complicating the already existing tonnage difficulties. As the seriousness of the political situation in Cuba became increasingly evident the market gained strength and prices advanced quite rapidly, so that by February 20 Cuban sugar was quoted at 4⅝ cents, cost and freight, an advance of ½ cent per pound.

In view of subsequent events, the following quotation from my market report of February 20 is of interest:

"At these high levels buyers for long account are naturally cautious. The feeling is that if the threatened insurrection is quelled promptly prices are too high. Yet it is recognized that should there be a general revolution the market will undoubtedly go much higher. From a sugar standpoint it is particularly unfortunate that this political disturbance has developed. The world will need all the sugar that Cuba can possibly produce this year With the backward crop, anything that delays harvesting and reduces production can only result in a higher level of prices for the entire world than otherwise would prevail; but until we learn more about the actual effect of these disturbances on production it is not possible to form any fair idea of values. This explains both the limited offerings at current prices and the hesitancy on the part of refiners to make further purchases."

In March our strike situation showed a gradual improvement and eventually was entirely overcome, but Cuba's position was not so fortunate. Cane fires of incendiary origin were quite general; many centrals were forced to close down their mills under threat of destruction by fire; and railroad transportation was entirely demoralized as the result of the burning of bridges, etc. Added to this there was the general disposition of labor to remain idle. Men were afraid to work in the fields, fearing sudden attack. Mr. Himely reduced his crop estimate March 5 from 466,000 tons to 3,000,000 tons maximum, and by the 1st of April Cuban prices advanced to 4⅞ cents cost and freight. It was then estimated that these values were fully 1 cent per pound higher than we would have seen had there been no decreased production resulting from the Cuban insurrection. The American people were inclined to look on this Cuban situation as a thing of no direct concern to them, but that it indirectly had a most important influence on their pocketbook, increasing their sugar bill possibly by $100,000,00, and, finally, on their comfort, because the resultant shortage in supplies can not be denied.

As I pointed out in a May market report, the great uncertainty so far as the future of our market was concerned came from the probable amount of Cuban raws and for American refined sugar that Europe would want this year. This depended largely on the amount of sugar that could be brought from Java,

which in turn hinged on the tonnage situation. Here the British royal commission on sugar supply, purchasing for Great Britain and France, had a great advantage over us. They knew exactly what their requirements would be, where the stocks lay, and the transportation available. With an increased shortage in ships it was a foregone conclusion that the long trip to Java, where some 900,000 tons are still in store, would be avoided if it were possible to obtain supplies near by. In June they began to lay their plans for securing these "convenient supplies" by making purchases mainly in Cuba for forward delivery. This demand, with steadily decreasing supplies, was largely responsible for carrying the market on Cuban sugars to 5⅛ cents cost and freight in July and in August caused sugar to sell up to 6½ cents cost and freight, the higher prices being paid for the most part by our refiners, who for some months had been following a "hand to mouth" policy because of the uncertainties of their position. Refiners and independent merchants in this country had not been able to buy for future delivery as did the British commission for two reasons:

First. They could not know what the foreign position was as to stocks, requirements, tonnage, etc.

Second. They knew that Congress proposed to pass a food-control bill, the effect of which on values was uncertain.

So, that instead of being able to proceed with confidence in securing supplies for late summer and fall wants, they held back. This in part was responsible for the shortage that developed this fall. The Food Administration not organized and prepared to act and refiners and independent merchants were not justified in doing so. England simply got ahead of us in securing the conveniently available supply, quite naturally leaving it to us to look out for ourselves. When the fall came, with the resultant shortage, it was then too late, even if tonnage could be secured, to bring raw sugar from distant points in time to secure the desired relief.

Some influence on foreign buying resulted from the proposal in Congress to repeal the drawback law on sugar. This hastened rather than increased the amount of refined sugar bought in this market by the allies and neutrals. Values were effected because of hurried buying. In this connection it is interesting to compare exports of refined sugar from the United States and exports of Cuban raw sugar to countries other than the United States in 1916 and 1917, which are as follows:

	1917	1916
	Tons.	*Tons.*
United States refined: Exports refined sugar Jan. 1 to Nov. 30	387,481	648,406
Exports of Cuban raw:		
Canada	3,615	.....
United Kingdom and Continent of Europe	930,982	730,993
South America	.....	4,057
Mexico	6,211	143
Total exports, raw and refined	1,328,189	1,383,599

On August 10 Congress passed the Food Administration bill and the President promptly selected Mr. Herbert Hoover as its head, and he in turn appointed Mr. George M. Rolph, formerly of the California & Hawaiian Sugar Refining Co. of California, as chief of the sugar division. The attention of the Food Administration was first directed toward an attempt to establish lower prices, and with this in view refiners were informed late in August that their withdrawal from the raw market would be gratifying to the Food Administration. As Europe had for the most part secured its supply this practically left the holders of the remaining unsold Cuban stocks without a buyer of importance.

Meantime a price, effective October 1, of 7.25 cents f. o. b. seaboard basis for beet sugar was established through negotiations between the Food Administration and beet-sugar factories. Thus the holders of any unsold raw cane sugar were presented with a picture of the United States being flooded with a supply of domestic beet sugar at a 7.25 cents basis for granulated sugar as soon as the new crop became available in October. This was to influence them to accept lower prices. However, the administration's hopes in this respect were not realized, due to the fact that the owners of these stocks could figure available supplies as well as any one and they were confident that their sugar

would be badly needed later in the year. When acting under the instructions of the Food Administration refiners withdrew from the market, sellers simply sat back and waited until the time should come when these buyers were again willing to pay the market price of 5⅞ cents cost and freight. With the consent of the Food Administration odd lots were bought here and there during September and October, but the amount purchased was inconsequential, and it was not until the early part of November that the international committee appeared as a buyer, taking all the sugar that was offered on the basis of 5⅞ cents cost and freight, or 6.90 cents duty paid for 96 centrifugals. By that time refiners' reserve stocks had become entirely exhausted, and what little sugar was obtained was for shipment and, therefore, not immediately available for melting purposes.

This suggests that if during the September-October period that had been a disposition to permit purchasing at a limited price of 6.90 cents duty paid whetther the situation would ever have become quite so acute? While it is held that sooner or later the near-by sugar finally reached this market, nevertheless it is a fact that during our absence from the market some Cuban sugar was diverted to other channels, and to some extent importations from other sources were discouraged because owners had no idea of the price their sugar would bring on arrival. This refers particularly to Peru and Philippine sugars. A few thousand tons would have made a great difference. Some refiners have been closed down since early in October, and all others have been operating in a very limited way. Melting at all the Atlantic ports from October 1 to December 27 are only 252,000 tons as compared with 551,000 tons in 1916. Many places east of Pittsburgh and Buffalo have been entirely without sugar for weeks at a time, and in all the large cities "sugar lines" have taken the place of the once famous "bread lines."

So far as the eastern market is concerned the greatest disappointment came from the failure of beet sugar to be shipped east freely enough to fill our wants. At one time it was thought that this sugar would be sold so freely that a comparatively small stock would be carried over the 1st of January. Instead, in round figures, 50 per cent, or well over 300,000 tons, of this year's output will be made up and still on hand in the West on January 1, 1918; so that with all the shortage in the East, resulting in much real discomfort if not actual suffering, there are more than ample supplies in the West to have filled all our needs. I make no attempt to place responsibility for this condition. I simply call attention to the fact. In part there is congested transportation, then there is the fact that the beet men have been practically assured of a 7.25 cent basic seaboard price for their crop. Naturally it is more profitable for them to sell at interior than at seaboard points. With the knowledge that they would secure at interior points 7.25 cents plus freight from seaboard to destination, it is perhaps not unnatural that they should prefer to hold back their sugar for this higher price rather than force its sale at an earlier date in the eastern markets where there is a heavy absorption in freight. Up to November 20 no beet sugar had been shipped east of Pittsburgh. On that date the Food Administration decided to allow in the eastern territory a price of 8.15 cents instead of 7.25 cents, and between November 23 and December 14, 196 cars were shipped east of Pittsburgh. As compared with the needs this was only "a drop in the bucket." No further shipments will be made. The arrangement between the Food Administration and the beet factories under the food bill must be a voluntary one, and apparently Congress has not given the Food Administrator the power to say to the producer that "he must sell his product in any territory, at the time and price named by me."

The crop prospects for 1918 are, for the most part, excellent. The Cuban crop alone is expected to produce 3,620,857 tons under normal conditions, with the domestic crops, on the average, about the same as in 1917. With this increased supply and no probable increase in the demand, but, on the contrary, a possible decrease due to the conservation propaganda in the United States and a limitation of exports through lack of tonnage, the market should, to a great extent, regulate itself on the old basis of supply and demand. Many feel that if left to itself the market for Cuban sugar would not average 4.60 cents f. o. b., equal to 4.98 cents cost and freight, as with a smaller crop the average price secured by planters in 1917 was not over 4⅜ cents f. o. b. Cuba, and this was ½ to 1 cent per pound higher than it would have been without a revolution and the resultant decreased output. When the Food Administration took hold in August, and the market was under the excitement of the high prices which were being paid for near-by sugars because of the scarcity, new crop

positions on the sugar exchange were selling on the basis of 4.80 cents ex warehouse, New York, for February-March delivery. With the present freight basis this was equivalent to about 4.30 cents f. o. b. Cuba. The Food Administration, however, has, according to last advices, arranged to buy the entire Cuban 1918 crop on the basis of about 4.60 cents f. o. b. Cuba, or, say, 4.90 cents cost and freight, which should give us a refined price in 1918 of about 7.45 cents per pound. The idea apparently is to have a stable price throughout the year.

The Food Administration is endeavoring to regulate conditions through an agreement with refiners which provides for cooperative buying with the British commission. This committee is to be known as the international sugar committee, and the allocation of the supplies bought is to be handled by a second committee, to be known as the American refiners committee.

At the close the American Sugar Refining Co. announced that they will no longer sell their sugar to the trade through refined sugar brokers, as has been the custom for the last 50 years, but will handle the business direct. The protest which the brokers are making is based largely on the fact that because of the Food Administration's control, they are deprived of their usual weapon of defense, which would be to divert their business to the independent refiners, who are still glad to avail themselves of the brokers' services. They can not do this because, under the Food Administration's agreement, each refiner will receive a definite percentage of the raw sugar supplies coming to this country. This will, naturally, regulate the sales of refined sugar so that the American Sugar Refining Co., regardless of how they choose to do business, must of necessity receive about 40 per cent of the business done. The brokers feel that the American Sugar Refining Co. has taken advantage of the unusual position in which they are placed through the food control plan to eliminate the refined-sugar brokers.

Production of sugar in Cuba for the past 65 years.

[Prepared by J. V. Knight, Cuban commercial economist and statistician, 233 Broadway, New York, N. Y.]

[Long tons of 2,240 pounds.]

1853	322,000	1886	731,723
1854	374,000	1887	646,578
1855	392,000	1888	656,719
1856	348,000	1889	560,333
1857	355,000	1890	632,368
1858	385,000	1891	819,760
1859	536,000	1892	976,789
1860	447,000	1893	815,894
1861	466,000	1894	1,054,214
1862	525,000	1895	1,004,264
1863	507,000	1896	225,221
1864	575,000	1897	212,051
1865	620,000	1898	305,543
1866	612,000	1899	345,260
1867	597,000	1900	308,543
1868	749,000	1901	635,856
1869	726,000	1902	850,181
1870	726,000	1903	998,878
1871	547,000	1904	1,040,228
1872	690,000	1905	1,163,258
1873	775,000	1906	1,198,749
1874	681,000	1907	1,427,673
1875	718,000	1908	961,958
1876	590,000	1909	1,513,582
1877	520,000	1910	1,804,349
1878	533,000	1911	1,480,217
1879	670,000	1912	1,893,687
1880	530,000	1913	2,429,240
1881	493,764	1914	2,596,567
1882	595,837	1915	2,582,845
1883	460,397	1916	3,006,274
1884	553,987	1917	3,019,936
1885	631,967	1918 (estimated)	3,500,000

EXHIBIT No. 180.

INCREASED SUGAR PRODUCTION IN CUBA FOR THE YEARS 1917–18.

[From J. V. Knight, Cuban commercial economist and statistician, 233 Broadway, New York, N. Y.]

[United States Government statistics for the Province of Camaguey, Cuba. Commerce Reports, December 13, 1917.]

The table below covers returns from 18 of the 21 sugar centrals in the Province of Camaguey, Cuba, and shows the output for the crop year 1916–17 and estimated output for the ensuing year. The figures were furnished by Sr. Oliverio Cuesta Bages, a sugar statistician and broker of Nuevitas, and represent bags of 325 pounds.

Name of estate.	Owner or lessee.	Location.	Crop.	
			1916–17	1917–18 [1]
			Bags.	*Bags.*
Adelaida	Cia. Az. Adelaida	Moron	[2]	[2]
Agramonte	Cia. Az. Vertientes	Florida	64,809	200,000
Algodones	Central Algodones	Guayacanes	48,134	130,000
Baragua	Baragua Sugar Co.	Baragua	106,229	200,000
Camaguey	Cia. Az. Cent. Camaguey	Piedrecitas	73,784	120,000
Cespedes	Perez y Gonzalez	Cespedes	32,604	100,000
Ciego de Avila	Cia. Az. Cent. Ciego de Avila	Ciego de Avila	140,815	[2]
Cunagua	S. A. Cent. Cunagua	Moron	[3]	120,000
Elia	Elia Sugar Co	Sta. Lucia	65,405	140,000
Jagueyal	Cuba Cane Sugar Co	Jagueyal	251,013	325,000
Jatibonico	Cuba Co	Jatibonico	155,000	225,000
Florida	Florida Sugar Co.	Florida	84,577	110,000
Francisco	Francisco Sugar Co.	Sta. Cruz	196,070	300,000
Lugareño	Cuba Cane Sugar Co	Lugareño	67,000	300,000
Moron	....do	Moron	181,005	350,000
Patria	Cia. Az. Cent. Patria	....do	40,000	100,000
Punta Alegre	P. A. Sugar Co.	Pta. San Juan	54,306	200,000
Redencion	Cent. Redencion	Redencion	[4]	[4]
Senado	The Senado Sugar Co	Senado	63,567	200,000
Stewart	Cuba Cane Sugar Co	Stewart	375,983	500,000
Sto. Tomas	Cia. Az. Cent. Sto. Tomas	Moron	[2]	[2]
Total			2,000,301	3,620,000

[1] Estimated. [2] No data. [3] New. [4] Cane sold to Lugareño estate.

OUTLOOK FOR NEW SEASON.

From the information I have been able to obtain as to the condition of the cane fields throughout the Province and the probable capacity of the mills it seems that the estimates given for the coming season are rather high; but it is the general opinion that if there is no interruption in grinding at any of the mills, and if cane fires are not in excess of what may normally be expected, the total output should be somewhat in excess of 3,500,000 sacks, or about 625,000 tons. In the year 1915–16, during which 14 mills operated in Camaguey without interruption, the total output was 2,244,000 sacks of sugar and 18,052,121 gallons of waste molasses.

It is estimated that approximately 2,000,000 sacks of the sugar produced in this Province will be exported through the port of Nuevitas in the coming year. It is, however, somewhat doubtful if the warehouse facilities at this port will be sufficient to handle that amount of sugar. This will depend largely on the shipping available and the rapidity of movement of the sugar out of the port.

[From Weekly Statistical Sugar Trade Journal.]

Sugar Crops of the World.

The following are our latest estimates:

	Harvesting period.	1917–18	1916–17	1915–16
		Tons.	*Tons.*	*Tons.*
United States:				
Louisiana	October to January	225,000	271,339	122,768
Texas	do	2,000	6,250	1,000
Porto Rico	January to June	475,000	448,567	431,335
Hawaiian Islands	November to July	525,000	579,302	529,895
West Indies, St. Croix	January to June	7,500	7,787	14,750
Cuba	December to June	3,200,000	3,023,720	3,007,915
British West Indies:				
Trinidad	January to June	70,000	70,891	64,231
Barbados, exports	do	55,000	55,000	65,000
Jamaica, exports	do	30,000	28,331	15,143
Other British West Indies	do	35,000	30,000	35,371
French West Indies:				
Martinique, exports	January to July	35,000	34,443	38,925
Guadeloupe	do	35,000	36,160	34,110
San Domingo	January to June	145,000	130,171	126,058
Mexico	December to June	35,000	50,000	65,000
Central America	January to June	25,000	25,000	35,000
South America:				
Demerara, exports	October to December / May to June	20,000	101,650	116,224
Surinam	October to January	15,000	15,000	13,000
Venezuela	October to December	15,000	15,000	7,000
Ecuador	October to February	8,000	8,000	7,567
Peru	do	265,000	250,000	262,840
Argentina	June to November	150,000	84,069	149,299
Brazil	October to February	375,000	300,000	194,000
Total in America		5,847,500	5,570,680	5,336,432
British India (consumed locally)	December to May	2,750,000	2,626,000	2,634,000
Java	May to November	1,800,000	1,596,174	1,198,567
Formosa and Japan	November to June	450,000	436,026	405,227
Philippine Islands, exports	do	273,250	210,000	332,158
Total in Asia		5,273,250	4,868,200	4,569,952
Australia	June to November	265,000	192,831	159,681
Fiji Islands, exports	do	100,000	100,000	90,000
Total in Australia and Polynesia		365,000	292,831	249,681
Egypt (consumed locally)	January to June	100,000	101,832	98,964
Mauritius	August to January	224,000	209,169	215,528
Reunion, exports	do	45,000	45,000	45,000
Natal	May to October	115,000	114,580	112,081
Mozambique	do	50,000	55,000	50,000
Total in Africa		534,000	525,581	521,573
Europe, Spain	December to June	6,000	6,000	6,359
Total cane-sugar crops		12,025,750	11,263,292	10,683,997
Europe, beet-sugar crops	September to January	3,764,000	4,456,408	5,077,760
United States, beet-sugar crop	July to January	750,000	734,577	779,756
Canada, beet-sugar crop	October to December	12,500	12,500	17,641
Grand total cane and beet sugar		16,552,250	16,466,777	16,659,154
Estimated increase in the world's production		85,473		

H 283 84

EUROPEAN BEET CROPS.

From information at hand we estimate the European beet crops as follows:

[Tons of 2,240 pounds.]

	Possible yield, 1917–18.	Yield, 1916–17.		Possible yield, 1917–18.	Yield, 1916–17.
Germany	1,200,000	1,350,000	Italy	90,000	140,000
Austria-Hungary	700,000	800,000	Spain	110,000	125,092
France	210,000	181,385	Switzerland	4,000	4,000
Belgium	125,000	135,031	Roumania	(1)	15,000
Holland	210,000	269,180	Serbia	(1)	.....
Russia	900,000	1,158,920	Bulgaria	(1)	15,000
Sweden	100,000	150,000	England	.....	.....
Norway	(1)	.....			
Denmark	115,000	112,800	Total Europe	3,704,000	4,456,408

[1] No data.

(The subcommittee then adjourned to meet at the call of the chairman.)

38464—18——66

INDEX.

A.

Page.

Allen, Ben, salary..... 636
American Beet Sugar Co..... 342
American people not keeping pledges to Hoover..... 880
American Sugar Refining Co..... 8, 89–91, 796
Advertisements..... 178–179, 195, 261
Brokers..... 930
Holdings..... 167
Louisiana Sugars..... 658, 666–667
Petition against brokerage action..... 883
Purchases of raws..... 221
Stockholders..... 172
Antitrust suits against American Sugar Refining Co..... 91
Associated Beet Sugar Growers, articles of incorporation..... 475

B.

Babst, Earl D..... 101–102, 162, 796–813
Babst's statement to Louisiana planters..... 233
Beet contracts..... 490
Contract, 1918..... 466
Factories, Federal Trade Commission Report on..... 649
Growers' resolution, Van Nuys, Cal..... 498
Prices..... 336, 468, 480–484, 500–519, 639
Raised..... 605
Table of..... 494
Beets, cost of production..... 90, 488–497, 500–504, 515–519
Beet sugar companies, grand jury investigation of..... 452
Monopoly..... 454
Beet sugar, costs..... 591
Factory agreement..... 23
Factories of Colorado, Wyoming, and Montana..... 546
Food Administration circular on..... 740
Price agreement..... 743
Prices..... 39–41, 590
Producers' agreement..... 348
Beet sugars, arrangements for shipment of Colorado..... 355
Biemenstok, H. W..... 159
Bishop, Clyde..... 474
Bradley, Andrew J..... 942
British Royal Commission..... 94
British war mission, Mr. Lamborn's letter, August 28, 1917..... 774
Brokers and American Sugar Refining Co..... 803–926
Brokers' fees..... 801
Broussard, Senator R. F., letter on Louisiana situation..... 209
Brush (Colo.) Farmers' Association, resolution..... 513

C.

California & Hawaiian Sugar Co..... 38
Cameron, Lambert V. B..... 926
Canada's purchases..... 982
Of Cuban raws..... 834
Canada, sugar shipped to..... 603
Candy day..... 261–262
Candy manufacturers allowed 80 per cent supply..... 880
Cane refiners' agreement..... 30
Cline, Seldon S..... 931
Connell, Herbert Stanley..... 911

Page.
Connell, J. S., statement of 917
Conservation 880–882
Consumers' representation on food control 861
Consumption of sugar 9, 310, 571
  Per capita 410–576
Cuba:
  Disturbances in 731–733
  Disturbance created by closing of New York Sugar and Coffee Exchange .. 735
  Sugar on hand in 429
  Importation of sugar machinery into 781
  Price too low in 753
  Proclamation of United States Minister Gonzales 687, 733–734
  Cost of production in 612, 758–762
  Production by high-efficiency mills 765
  Improvements aiding sugar production in 781
  Labor in sugar production in 719
  System of sugar production in 709–711
  Shipments to United States from 770
  Speculators in sugar in 752
Cuban-American Sugar Co. to Senator Reed, telegram of December 21, 1917, from 426

D.

Dakan, Albert 546
Differential test 155
Distribution uneven 893
Distribution of sugar east and west of Allegheny Mountains 605, 650–657
Domino sugar 43
Domino and package sugars 253
Drawback 192, 856
  Effect of 174
  Letter on repeal of 138
  Repeal of 620

E.

Earle, George H 949, 977
  Comment on former testimony 955
Ellis, T. A 1004
Embargo on Cuban sugars 728
Embargo on railroads 405
England, consumption of 86
  Food control in 679
  Shipments to 94
  Sugar prices in 642
  Sugar prices lower than United States 688
  Sugar stock of 105
English control 986
European crop 10
Exchange in sugar market activity prior to close of 737

F.

Federal Sugar Refining Co 9
  Letter to A. H. Lamborn Co., November 13 96
  Letter to Hoover 21
  Margin of profit 849
  Sugar market reviews 139
  To work without profit 849
Federal Reporter 871–877
Flour prices 645
Food act exempts farmers 673–675
Food Administration:
  Additional dictatorial powers necessary 941
  Appropriation 889
  Effect on international sugar situation 831
  Expenses of advertising 889
  Orders 885

Food Administration—Continued. Page.
Plans 319
Powers 640, 647–651, 676
Statement on hoarding 943
Witnesses from 627
Food control:
Effect of 695
History of bills 706
Food-control act, licensing section 92
Food control, result of 863
France, shipments to 95
Freeman, Joseph E 135
Fruit preserving, effect on shortage of 278

G.

Gardiner, Wm. W 887, 903
Gore to Hoover, letter of June 5 562
Government purchasing of sugar crop, plan 611

H.

Harms, George 544
Hawaiian factors 324
Sugar factors, agreement 362
Sugar prices 369
Contract and Penn Sugar Refining Co 950
Hoarding 943
Hoover, Herbert 549
Hoover's acts and effect on sugar situation 833
Hoover, additional dictatorial powers wanted 941
Wants additional dictatorial powers 944
To American Sugar Refining Co., letter of August 25, 1917, from 183
Appeal to increase beet acreage 512
Appeals of, people's response 616
Appointed temporarily 549
Says created imaginative alarms in the minds of the people 561
Hoover's arrival in United States 19, 634
Hoover to beet growers, letter of November 13 from 471
Hoover's citizenship, residence, and office 690–691
Hoover to Gore, letter of June 4 562
Interview by Cline 931
Hoover's interference 18
Press agents 634
Prophecy of shortage 19
Hoover to Reed, letter of December 13, 1917, from 5, 6
To Spreckels, letter of November 5, from 54
Statement in reply to Spreckels, December 15, 1917 121
Statement of May 7, 1917 384–385
Statement, discussion of 622
On sugar, statement of May 20 561
Statement given out by President 622
Statement as to sugar shortage 697
Temporarily appointed Food Administrator 21
When invited to appear before committee 622, 1003
To Woolwine, letter of December 1 from 459
To Woolwine, letter of December 3 from 460

I.

International Association of Beet Growers to Hoover, letter of December 13 from 541
To W. W. Armstrong, letter of December 7 from 543
International committee 27–32, 67, 200, 838
International sugar commission 988
International sugar committee 596
Only market for Cuban sugar 751–753
Effect of, in Cuba 729
Form letters, December 7, of 74
Failure to purchase 785
Prevents brokers buying supplies 914

J.

Page.

Java crop..... 11
Java sugars..... 288, 872
Java sugar crop..... 579
Jobber's margin..... 703
Jones, R. E..... 502
Jones to Hoover, letter of October 11 from..... 507
Jones to Rolph, letter of October 19 from..... 510

K.

Knight, J. V..... 709

L.

Lamb, William E..... 885
Lamborn, A. H..... 773
Lamborn, introductory letter by Northcliffe..... 774
To international sugar committee, letter of November 9, 1917..... 788, 789
To Rolph, letter of November 9, 1917..... 789
Sugar stocks held by..... 775
Lemkau, J. H. W..... 265
Letters of December 17 of..... 266
License to refiners..... 24
Lindley, C. H..... 67-81-118-135
Louisiana:
Agreement..... 224-239
Cane-sugar tender..... 240
Deal..... 692
Price..... 46
Planters..... 671
Sugars..... 651-656
Sugar deal..... 797
Sugar price..... 595
Lowry, Frank C..... 829
To Hoover, letter May 15, 1917..... 832
To Hoover, letter June 12, 1917..... 849
To Senator Thomas, letter May 14, 1917..... 848
Lueder, Ebrehard L..... 897
To Reed, letter January 11, 1917..... 909

M.

Marketing Cuban sugar under previous conditions..... 725-726
Merritt to Woolwine, "wire" of December 4, from..... 461
Michigan sugars..... 844
Minford, Lueder & Co..... 105
Mott, H. C..... 307

N.

National committee..... 27
Nebraska beet-sugar production..... 544
Newberry, J. R..... 486
New England shortage..... 846
Northcliffe to Hoover, letter..... 774

P.

Patterson, C. G..... 520
Pennsylvania Sugar Co., receipts of raw sugar..... 977
Capital stock..... 993
Philippine crop..... 913
Philippine sugars..... 872

Page.
Price agreement..... 842
By international sugar committee..... 749
Prices (1917) correct, Willett & Grey figures..... 888
Prices, beet and cane; how fixed..... 678
Comparison of, raw and refined sugars..... 744
Of Cuban sugar fixed by New York quotations..... 731
Charts by Mr. Babst, on raise in prices of sugar, 1913 to 1917..... 302
Showing prices of various refiners..... 302
Showing raw prices for years..... 302
Difference east and west of Alleghenies..... 650–657
Effect of beet production on eastern..... 742
Effect of interferences on sugar..... 736–737
Effect on prices by increase of money..... 551
Price fixing..... 676–687
Price fixing not in bill..... 648
Price fixed..... 670
Price fixing..... 641
Hoover on..... 584–585
History of and disastrous results from..... 581
Method of..... 985
Prices, general course of..... 550
Prices in England compared with United States..... 681
Price maximum fixing a failure during French Revolution..... 583
Prices, beet crop..... 456
Plat by Mr. Rolph..... 386
Price regulation in Cuba mentioned..... 746–748
Price stabilization..... 643
Prices of sugar, 1916 and 1917, compared (table)..... 706
Prices of sugar, raw and refined, plats by Mr. Rolph..... 446
Prices, table showing raise in price since Hoover started propaganda..... 706
Table showing 1900–1910 prices of commodities..... 683–684
Table showing relative prices of sugar and other commodities..... 416
Of various commodities, table showing raise in price since Hoover propaganda..... 707
Production of various companies..... 712
Production of sugar..... 555
Production, cost of producing sugar..... 417
Purchases of sugar by international committee (table)..... 299

R.

Rationing..... 908
Compulsory..... 944
Hoover proposes compulsory..... 936
Reed to Hoover, letter of December 13, 1917, from..... 5
To Lindley, letter of December 13, 1917, from..... 6
To Western Sugar Refining Co., telegram of December 15, from..... 401
Refiners' agreement, when signed..... 180
Refiners' committee..... 27
Committee, members..... 883
Costs and differentials..... 855
Differential..... 230–296, 392–436, 613–629, 663, 801, 986
Prior to food control..... 424
Refiners that could not make profit on Government prices..... 638
Refineries in United States..... 7
Regulation has depressing effect on production..... 754
Retailers..... 642
Rolph, George M..... 323, 353
To American Sugar Refining Co., letter of September 17, from..... 183
To American Sugar Refining Co., letter of September 26, from..... 183
To Jones, letter of October 20, from..... 509
To Jones, letter of November 8, from..... 511
To Lamborn, letter of November 9..... 790
Option on Cuban sugars for Babst..... 836
To Spreckels..... 34
To Spreckels, letter of November 27 from..... 99
To Spreckels, letter of November 30 from..... 73
To Spreckels, letter of December 10 from..... 76

S.

	Page.
Salaries of volunteers	305
Scherck, L. A., to Spreckels, telegram of October 25 from	157
Speculation in sugar	420
Speculations	587
Spreckels, Claus A	7
To Hoover, telegram from	33
To Hoover, letter of October 31 from	49
To Hoover, letter of November 2 from	51
To international committee, letter of December 15 from	149
To Rolph, letter from	70
To Rolph, letter of November 21 from	97
To Rolph, letter of November 28 from	99
To Rolph, letter of December 11 from	80
Offer to run factory for nothing	630
Offer to buy Cuban sugar for shortage	617
Storage of coal at mines impracticable	729
Storage facilities inadequate in Cuba	723
Strikes	380
Sugar crops, 1917	978
Crops, United States	570
Consumption	979
Exchange closed	29
Market, review of June 28	576
Price in England less than United States	688
Shortage	778–783, 892
Due to interruption of usual laws of supply and demand	905
Warning	619
No shortage	878
Uneven distribution east and west of Alleghenies	780, 839
In West	108–327
Stocks in West	40
Stocks in West during shortage	602
In West during shortage, table and telegrams showing	402
Supply, table by Hoover	703
Summerville, James A	354

T.

Tonnage a factor	754

U.

United States sugar supply sources	829
Utah cost of beet production, table showing	521–523
Utah & Idaho Sugar Co., beet contract	529–531
Utah, sugar factories in State of	521

W.

Washington Post clipping	943
Washington Star clipping	933
Western Sugar Refining Co. to Reed, telegram of December 17, from	402
Wheat:	
Prices	611–643
Prices to farmer	682–683, 685
Prices of wheat and flour compared (table)	682
Prices, United States and England compared (table)	683
Prices to farmer (table)	683
Market of farmer limited	644
Whitley, R. E	495
Wholesalers regulated	640
Wholesalers' profit	825
Woolwine, Thos. L	451
Woolwine to Hoover, letter of December 3, from	460
To President Wilson, letter on beet producers dated November 30, from	459
World crop	15–20
World crop, 1917	889
World sugar crops, different years compared (table)	106
Table of	318, 409
World sugar supply	912

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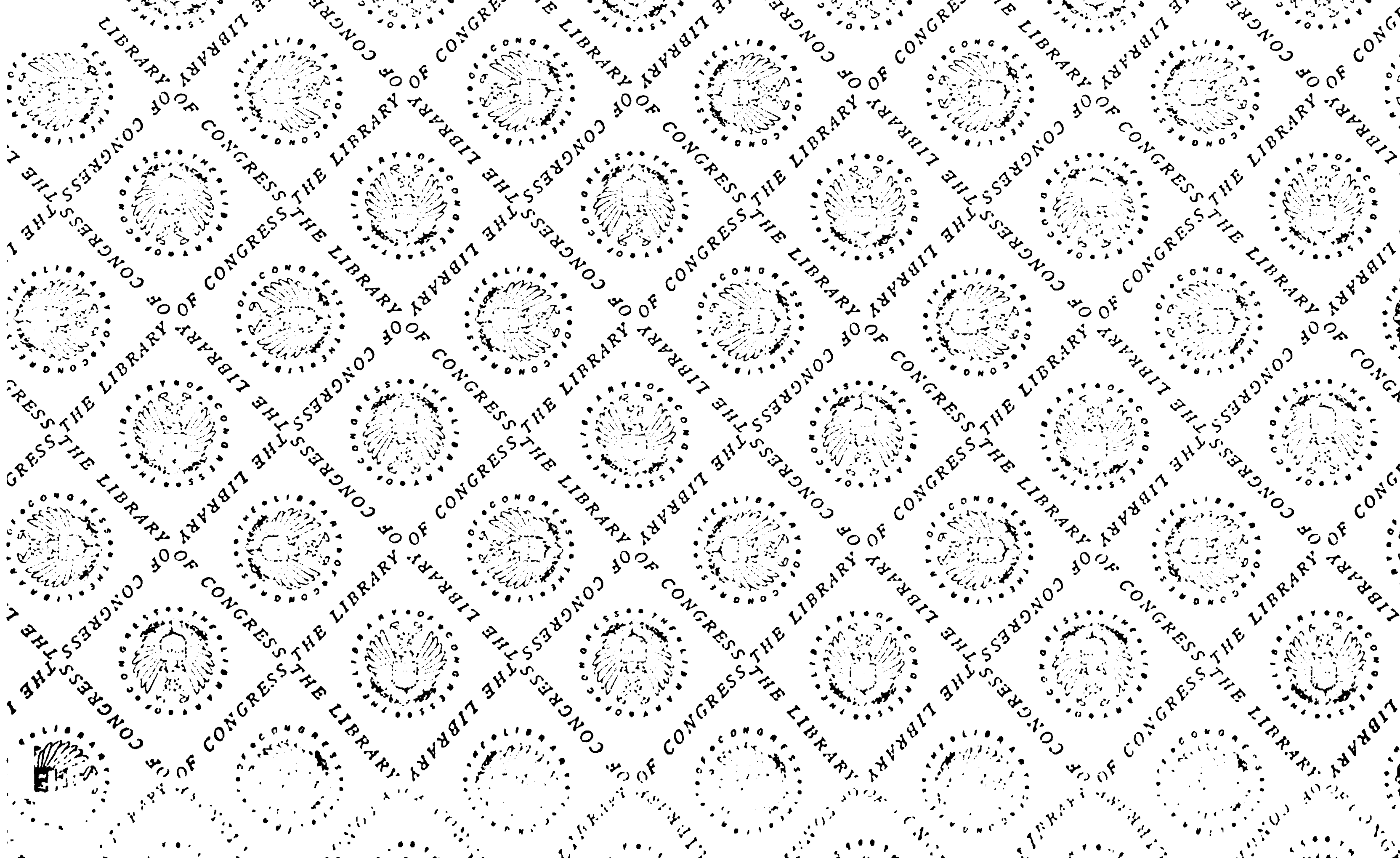
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